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LOCAL AUDIT &amp; FINANCE DIV.

Michigan Department of Treasury  
498 (2-04)**Auditing Procedures Report**

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>City of Marshall</b>	County <b>Calhoun</b>
Audit Date <b>6/30/04</b>	Opinion Date <b>10/15/04</b>	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

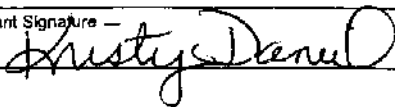
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>BDO Seidman, LLP</b>			
Street Address <b>211 E. Water Street, Suite 300</b>	City <b>Kalamazoo</b>	State <b>MI</b>	ZIP <b>49007</b>
Accountant Signature 		Date <b>12/2/04</b>	

# City of Marshall

323 West Michigan Avenue - Marshall, MI 49068-1578 - Phone (269) 781-5183 - FAX (269) 781-3835



Marshall Town Hall ca: 1857



NATIONAL HISTORIC LANDMARK DISTRICT

## Annual Financial Statements and Single Audit Act Compliance

Year Ended June 30, 2004

# City of Marshall, Michigan

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# City of Marshall, Michigan

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# City of Marshall, Michigan

## Elected and Appointed Officers

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### Elected Officials

Mayor	John F. Miller
City Council Member, Ward 1	Kelly Feneley
City Council Member, Ward 2	Mike Kinter
City Council Member, Ward 3	Michael Brown
City Council Member, Ward 4	Matt Glaser
City Council Member, Ward 5	Mark E. Webb
City Council Member, At Large	Charles F. Hayes, Jr.

### Administration

City Manager	Maurice Evans
Assessor	Michelle Coats
Clerk-Treasurer/Finance Director	Gail Budrow-Bradstreet
Public Safety Director	Michael Olson
Utilities and Infrastructure Director	Tom Tarkiewicz



**BDO Seidman, LLP**  
Accountants and Consultants

211 East Water Street, Suite 300  
Kalamazoo, Michigan 49007  
Telephone: (269) 382-0170  
Fax: (269) 345-1666

## Independent Auditors' Report

Honorable Mayor and Members of  
the City Council and City Manager  
City of Marshall, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marshall, Michigan (the City), as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General, Major Street, and Local Street Funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2004, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on Pages 2 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary required information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information, except for the portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*BDO Seidman, LLP*

Certified Public Accountants

October 15, 2004

## Financial Section

# Management's Discussion and Analysis

As management of the City of Marshall, Michigan (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with the financial statements.

## Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$25,010,239 (net assets). Of this amount, \$9,509,664 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$1,207,057.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,940,709, a decrease of \$244,265 in comparison with the prior year. Approximately 95.8% of this total amount, \$3,777,417 is available for spending at the government's discretion (unreserved fund balance), and \$163,292 has been reserved. The City has designated \$1,992,679 for various projects as disclosed on Page 13.
- At the end of the current fiscal year, unreserved undesignated fund balance for the General Fund was \$893,047 or 19% of the total General Fund expenditures.
- The City issued one installment purchase contract for a total liability of \$60,746 over the next five years and its total debt decreased by approximately \$1,128,196 during the current fiscal year.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets (public works), health and welfare, recreation and culture, and other. The business-type activities of the City include the Electric, Wastewater, and Water Funds, senior citizens housing, and transit system.

The government-wide financial statements may be found on Pages 11 and 12 of this report.



## Management's Discussion and Analysis (Continued)

**Fund Financial Statements.** A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, similar to other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 17 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Major Street, and Local Street Funds, all of which are considered to be major funds. Data from the other 14 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The governmental fund financial statements may be found on Pages 13 to 16 of this report.

**Proprietary Funds.** The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the Marshall House Senior Citizen Housing Fund, the Electric, Wastewater, and Water Funds, and Dial-A-Ride Transit Fund. Internal Service Funds are used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its Motor Pool, Data Processing, and Safety services. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Marshall House Senior Citizen Housing Fund, the Electric, Wastewater, Water, and Dial-A-Ride Transit Funds, all of which are considered to be major funds of the City. The City's three internal service funds are presented in the proprietary fund financial statements in the Governmental Activities - Internal Service Fund column. Also, individual fund data for the Internal Service Fund is provided in the form of combining statements elsewhere in this report.

Also, individual fund data for the Internal Service Fund is provided in the form of combining statements elsewhere in this report.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is similar to proprietary funds.

## Management's Discussion and Analysis (Continued)

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are found on Pages 29 to 47 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. This required supplementary information is included in the notes to the financial statements on Page 44 of this report.

### Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$25,010,239 at the close of the most recent fiscal year.

A substantial portion of the City's net assets (56%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

### City of Marshall's Net Assets

<i>June 30, 2004</i>	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
<b>Assets:</b>			
Current and other assets	\$ 7,489,877	\$ 8,197,027	\$ 15,686,904
Capital assets, net of accumulated depreciation	9,714,703	18,572,914	28,287,617
<b>Total Assets</b>	<b>\$ 17,204,580</b>	<b>\$ 26,769,941</b>	<b>\$ 43,974,521</b>
<b>Liabilities:</b>			
Long-term liabilities outstanding	\$ 6,752,271	\$ 9,173,262	\$ 15,925,533
Other liabilities	1,019,282	2,019,467	3,038,749
<b>Total Liabilities</b>	<b>7,771,553</b>	<b>11,192,729</b>	<b>18,964,282</b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	4,823,092	9,093,760	13,916,852
Restricted	-	1,583,723	1,583,723
Unrestricted	4,609,935	4,899,729	9,509,664
<b>Total Net Assets</b>	<b>9,433,027</b>	<b>15,577,212</b>	<b>25,010,239</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 17,204,580</b>	<b>\$ 26,769,941</b>	<b>\$ 43,974,521</b>

No portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. The City may use the remaining balance of unrestricted net assets of \$9,509,664 (38%) to meet its ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

# Management's Discussion and Analysis (Continued)

## City of Marshall's Changes in Net Assets

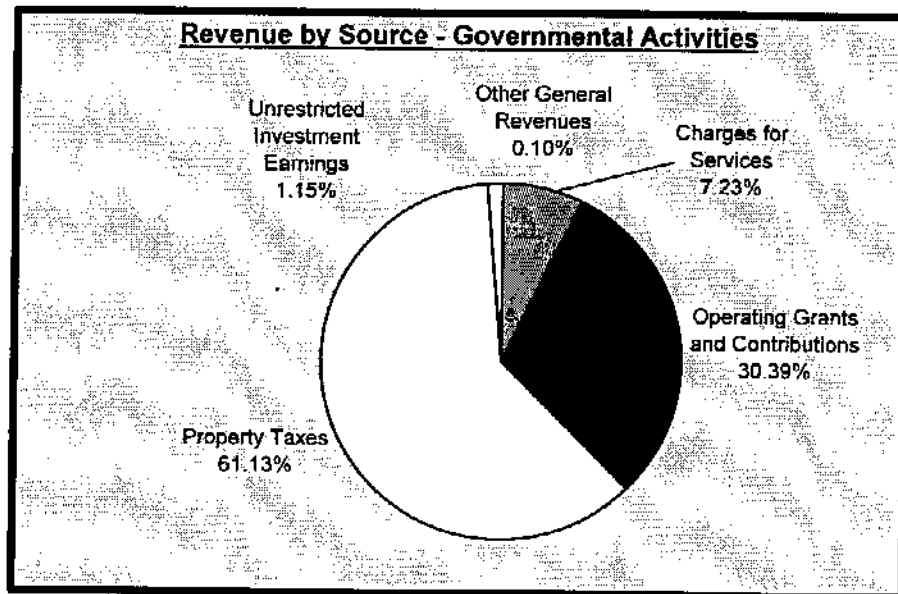
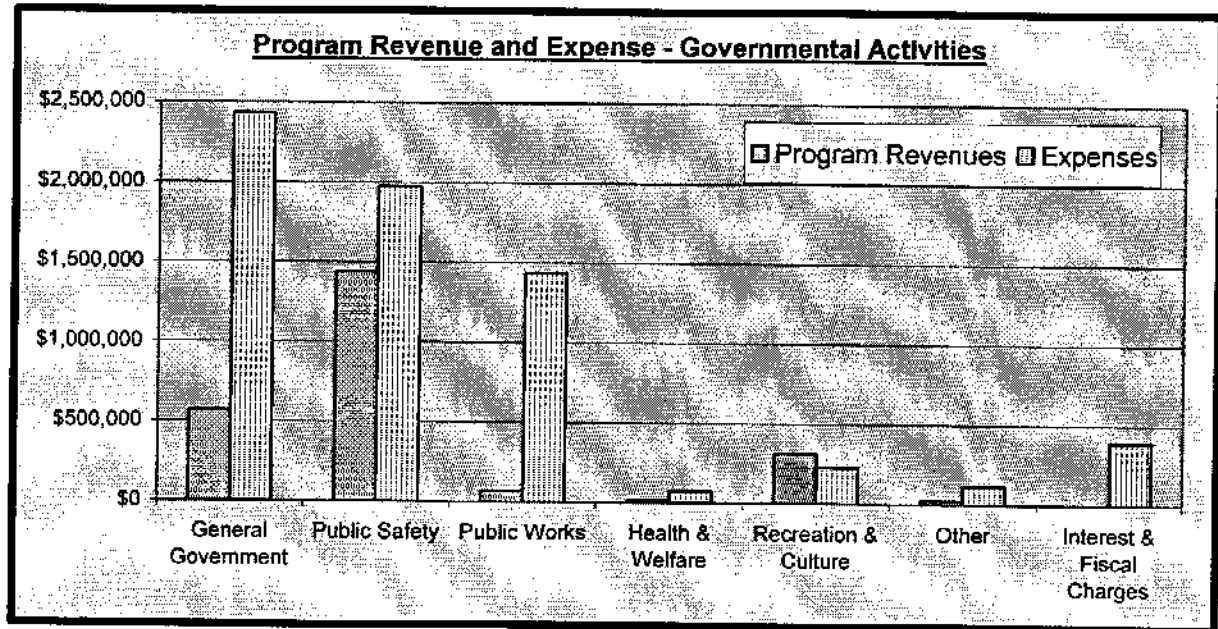
<i>June 30, 2004</i>	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 468,711	\$ 14,680,793	\$ 15,149,504
Operating grants and contributions	1,969,579	487,118	2,456,697
General revenues:			
Property taxes	3,962,014	101,283	4,063,297
Other general revenue	6,782	27,500	34,282
Unrestricted investment earnings	74,510	41,760	116,270
<b>Total Revenues</b>	<b>6,481,596</b>	<b>15,338,454</b>	<b>21,820,050</b>
<b>Expenses:</b>			
General government	2,430,182	-	2,430,182
Public safety	1,975,133	-	1,975,133
Public works	1,434,563	13,071,696	14,506,259
Health and welfare	74,551	486,963	561,514
Recreation and culture	230,566	-	230,566
Other	116,143	401,425	517,568
Interest and fiscal charges	391,771	-	391,771
<b>Total Expenses</b>	<b>6,652,909</b>	<b>13,960,084</b>	<b>20,612,993</b>
<b>Increase in Net Assets Before Transfers</b>	<b>(171,313)</b>	<b>1,378,370</b>	<b>1,207,057</b>
<b>Transfers</b>	<b>613,603</b>	<b>(613,603)</b>	<b>-</b>
<b>Increase in Net Assets</b>	<b>442,290</b>	<b>764,767</b>	<b>1,207,057</b>
<b>Net Assets, beginning of year</b>	<b>8,990,737</b>	<b>14,812,445</b>	<b>23,803,182</b>
<b>Net Assets, end of year</b>	<b>\$ 9,433,027</b>	<b>\$ 15,577,212</b>	<b>\$ 25,010,239</b>

The City's net assets increased by \$1,207,057 during the current fiscal year. About 37% of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses for the governmental activities. The business-type activities contributed 63% which represents the degree to which increases in on-going revenues have outstripped similar increases in on-going expenses in the Electric and Water Funds offset by losses in the Wastewater, Marshall House, and Dial-A-Ride Funds.

**Governmental Activities.** Governmental activities increased the City's net assets by \$442,290, accounting for 37% of the total growth in the government's net assets.

This increase was a combination of moderate changes in the excess or shortfall of revenues over expenditures.

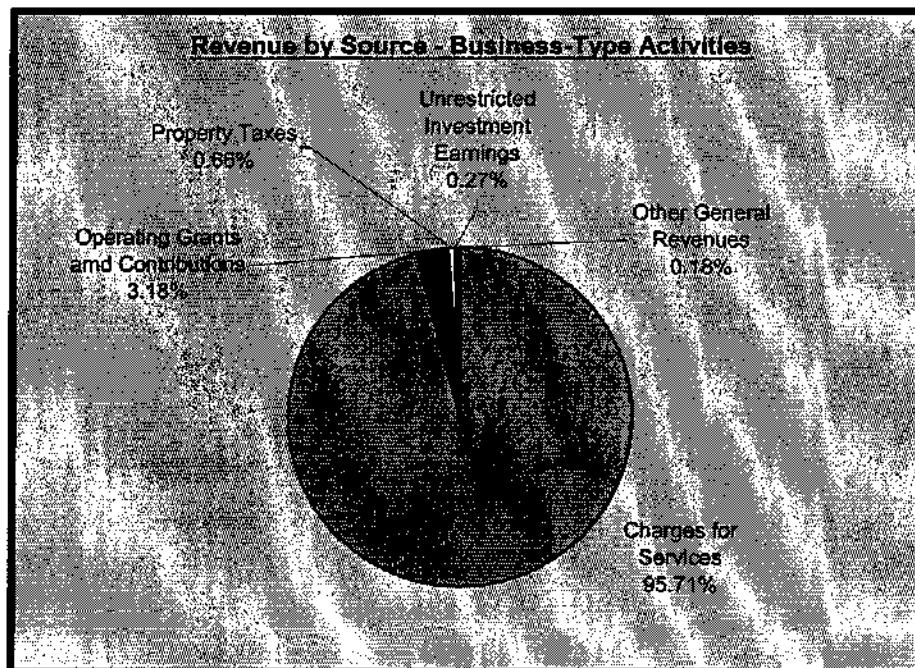
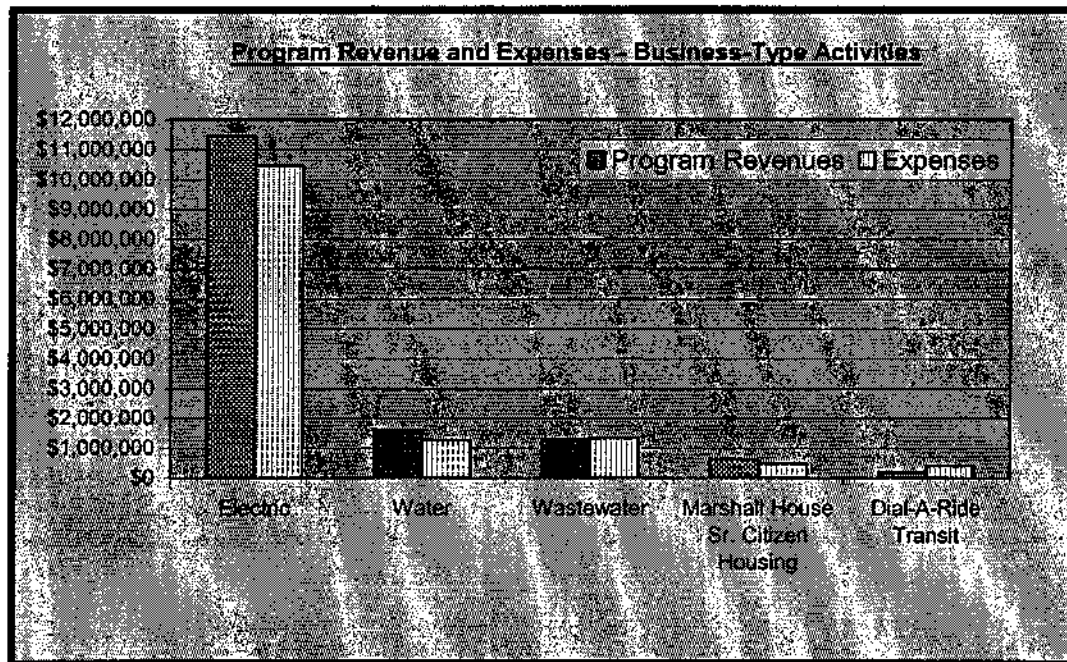
## Management's Discussion and Analysis (Continued)



For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

## Management's Discussion and Analysis (Continued)

**Business-Type Activities.** Business-type activities increased the City's net assets by \$764,767, accounting for 63% of the total growth in the government's net assets.



# Management's Discussion and Analysis (Continued)

## Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,940,709, a decrease of \$244,265 in comparison with the prior year. Forty-five percent (45%) of this total amount, \$1,784,738 constitutes unreserved undesignated fund balance, which is available for spending at the government's discretion. The remainder of fund balance is designated for capital projects, working capital, and special revenue projects, and is not available for new spending.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved undesignated fund balance of the General Fund was \$893,047, while total fund balance amounted to \$1,626,355. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved undesignated fund balance and total fund balance to total fund expenditures. Unreserved undesignated fund balance represents 19% of total General Fund expenditures, while total fund balance represents 35% of that same amount.

The fund balance of the City's General Fund decreased by \$229,043 during the current fiscal year. This decrease is attributable to the purchase of a new fire truck using designated fund balance.

**Proprietary Funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Electric Fund at the end of the year amounted to \$3,397,099. The Electric Fund had a total growth in net assets of \$709,878. The unrestricted net assets of the Wastewater Fund at the end of the year amounted to \$635,172. The Wastewater Fund had a loss in net assets of \$62,990. The unrestricted net assets of the Water Fund at the end of the year amounted to \$609,997. The Water Fund had a total growth in net assets of \$305,131. The unrestricted net assets of the Marshall House Senior Citizen Housing Fund at the end of the year amounted to \$91,359. Marshall House had a loss in net assets of \$85,769. The unrestricted net assets of the Dial-A-Ride Transit System Fund at the end of the year amounted to \$166,102. Dial-A-Ride had a loss in net assets of \$101,483. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

## General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were significant (\$1,343,578 or a 22% decrease in appropriations) and can be briefly summarized as follows:

- \$1,350,200 decrease in capital outlay
- \$35,000 increase in park services
- \$30,000 decrease in public safety services
- \$1,622 increase in miscellaneous charges in all other activities

## Capital Asset and Debt Administration

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2004, amounts to \$30,820,646 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, land improvements, furniture, machinery and equipment, vehicles, and construction in progress. The total decrease in the City's investment in capital assets for the current fiscal year was 2.0% (a 0.06% decrease for governmental activities and a 3.2% decrease for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Purchase of a new fire truck with pumper at a cost of \$324,181
- Repairs to the hydro electric dam at a cost of \$271,631
- Purchase of a new digger truck for the electric department at a cost of \$143,882
- New roof on the main hangar at the airport at a cost of \$68,000
- Assets are depreciating at a level greater than the capital investment made during the fiscal year.

## Management's Discussion and Analysis (Continued)

### City of Marshall's Capital Assets (In thousands and net of depreciation)

<i>June 30,</i>	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
Land	\$ 2,232.7	\$ 2,232.7	\$ 123.9	\$ 123.9	\$ 2,356.6	\$ 2,356.6
Construction in progress	-	-	176.4	21.2	176.4	21.2
Buildings and land improvements	8,405.2	8,676.9	3,372.8	3,581.1	11,778.0	12,258.0
Plant, machinery, furniture, and equipment	1,309.5	1,045.9	15,200.0	15,780.0	16,509.5	16,825.9
<b>Total</b>	<b>\$ 11,947.4</b>	<b>\$ 11,955.5</b>	<b>\$ 18,873.1</b>	<b>\$ 19,506.2</b>	<b>\$ 30,820.5</b>	<b>\$ 31,461.7</b>

Additional information on the City's capital assets may be found in Note 7 on Page 40 of this report.

### The City's Outstanding Debt General Obligation and Revenue Bonds (In thousands)

At the end of the current fiscal year, the City had total bonded debt outstanding of \$16,903,794. The City debt represents bonds secured by specified revenue sources (i.e., revenue bonds), limited tax obligations secured by tax increment revenues or state revenue sources further supported by the full faith and credit of the City and general obligation bonds.

<i>June 30,</i>	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
<b>Primary Government:</b>						
General obligation and limited tax pledge bonds	\$ 7,124.3	\$ 7,597.2	\$ 1,364.5	\$ 1,425.9	\$ 8,488.8	\$ 9,023.1
Revenue bonds	-	-	4,470.0	-	4,470.0	4,875.0
Capital leases	-	-	3,945.0	4,145.0	3,945.0	4,145.0
Compensated absences	278.7	281.1	201.6	188.0	480.3	469.1
<b>Total</b>	<b>\$ 7,403.0</b>	<b>\$ 7,878.3</b>	<b>\$ 9,981.1</b>	<b>\$ 10,633.9</b>	<b>\$ 17,384.1</b>	<b>\$ 18,512.2</b>

The City's total debt decreased by \$1,128,196 (5.4%) during the current fiscal year. The net reduction was attributable to making debt service payments as they came due.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total state equalized valuation. The current debt limitation for the City is \$27,468,460, which is significantly higher than the City's outstanding general obligation debt.

Additional information on the City's long-term debt may be found in Note 8 on Pages 41 to 43.

# **Management's Discussion and Analysis (Concluded)**

## **Economic Factors and Next Year's Budget and Rates**

- The unemployment rate for the City is currently 4.7% (as of June, 2004), which is a decrease from a rate of 5.0% a year ago. This compares favorably to the state's average unemployment rate and the national average rate.
- Inflationary trends in the region compare favorably to national indices.

These factors were considered in preparing the City's budget for the 2004-05 fiscal year.

During the current fiscal year, unreserved undesignated fund balance in the General Fund decreased to \$893,047. The City has designated \$190,238 of this amount for spending in the 2004-05 fiscal year budget. This designation of available fund balance allows the City to adopt a balanced budget and eliminates the need to raise taxes or charges above the current recommended levels during the 2004-05 fiscal year.

## **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City of Marshall's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 323 W. Michigan Avenue, Marshall, Michigan 49068.





# **Government-Wide Financial Statements**

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# City of Marshall, Michigan

## Government-Wide Financial Statements Statement of Net Assets

<i>June 30, 2004</i>	<i>Primary Government</i>		<i>Total</i>
	<i>Governmental Activities</i>	<i>Business-Activities</i>	
<b>Assets:</b>			
Cash (Note 4)	\$ 820,921	\$ 915,453	\$ 1,736,374
Investments (Note 4)	3,980,160	1,047,835	5,027,995
Accounts receivable	46,712	885,770	932,482
Due from other governmental units	102,466	-	102,466
Inventories	-	753,648	753,648
Prepaid expenses	179,101	116,998	296,099
Restricted assets - Cash and investments (Note 4)	72,855	1,862,255	1,935,110
Land (Note 7)	2,232,662	123,949	2,356,611
Construction in progress (Note 7)	-	176,418	176,418
Capital assets, net of accumulated depreciation (Note 7)	9,714,703	18,572,914	28,287,617
Other assets	55,000	2,314,701	2,369,701
<b>Total Assets</b>	<b>\$ 17,204,580</b>	<b>\$26,769,941</b>	<b>\$ 43,974,521</b>
<b>Liabilities:</b>			
Accounts payable	\$ 162,130	\$ 950,059	\$ 1,112,189
Due to other governmental units	-	3,507	3,507
Accrued liabilities	106,985	51,863	158,848
Interest payable	75,277	-	75,277
Restricted liabilities	-	206,210	206,210
Deferred revenue	24,158	-	24,158
Noncurrent liabilities:			
Due within one year (Note 8)	650,732	807,828	1,458,560
Due in more than one year (Note 8)	6,752,271	9,173,262	15,925,533
<b>Total Liabilities</b>	<b>7,771,553</b>	<b>11,192,729</b>	<b>18,964,282</b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	4,823,092	9,093,760	13,916,852
Restricted - Debt and replacement reserves	-	1,583,723	1,583,723
Unrestricted	4,609,935	4,899,729	9,509,664
<b>Total Net Assets</b>	<b>9,433,027</b>	<b>15,577,212</b>	<b>25,010,239</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 17,204,580</b>	<b>\$26,769,941</b>	<b>\$ 43,974,521</b>

*See accompanying notes to financial statements.*

<i>Year Ended June 30, 2004</i>	<i>Expenses</i>	<i>Program Revenues</i>	
		<i>Charges for Services</i>	<i>Operating Grants and Contributions</i>
<b>Primary Government:</b>			
<i>Governmental activities:</i>			
General government	\$ 2,430,182	\$ 216,696	\$ 353,169
Public safety	1,975,133	36,646	1,403,868
Public works	1,434,563	11,172	60,309
Health and welfare	74,551	3,516	12,129
Recreation and culture	230,566	174,071	140,104
Other	116,143	26,610	-
Interest and fiscal charges	391,771	-	-
<i>Total governmental activities</i>	<i>6,652,909</i>	<i>468,711</i>	<i>1,969,579</i>
<i>Business-type activities:</i>			
Electric	10,453,882	11,443,966	-
Water	1,268,768	1,610,123	10,388
Wastewater	1,349,046	1,282,844	-
Marshall House	486,963	304,460	319,905
Dial-A-Ride Transportation	401,425	39,400	156,825
<i>Total business-type activities</i>	<i>13,960,084</i>	<i>14,680,793</i>	<i>487,118</i>
<b>Total Primary Government</b>	<b>\$ 20,612,993</b>	<b>\$ 15,149,504</b>	<b>\$ 2,456,697</b>

**General Revenues:**

Property taxes  
Unrestricted investment earnings  
Other general revenues

**Total General Revenues**

**Transfers In (Out)**

**Total General Revenues and Transfers**

**Change in Net Assets**

**Net Assets, beginning of year**

**Net Assets, end of year**

# City of Marshall, Michigan

## Government-Wide Financial Statements Statement of Activities

<i>Net Revenue (Expense) and Changes in Net Assets</i>		
<i>Primary Government</i>		
<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
\$ (1,860,317)	\$ -	\$ (1,860,317)
(534,619)	-	(534,619)
(1,363,082)	-	(1,363,082)
(58,906)	-	(58,906)
83,609	-	83,609
(89,533)	-	(89,533)
(391,771)	-	(391,771)
(4,214,619)	-	(4,214,619)
-	990,084	990,084
-	351,743	351,743
-	(66,202)	(66,202)
-	137,402	137,402
-	(205,200)	(205,200)
-	1,207,827	1,207,827
(4,214,619)	1,207,827	(3,006,792)
3,962,014	101,283	4,063,297
74,510	41,760	116,270
6,782	27,500	34,282
4,043,306	170,543	4,213,849
613,603	(613,603)	-
4,656,909	(443,060)	4,213,849
442,290	764,767	1,207,057
8,990,737	14,812,445	23,803,182
\$ 9,433,027	\$ 15,577,212	\$ 25,010,239

See accompanying notes to financial statements.

# City of Marshall, Michigan

## Governmental Funds Balance Sheet

<i>June 30, 2004</i>	<i>General</i>	<i>Major Street</i>	<i>Local Street</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>Assets:</b>					
Cash (Note 4)	\$ 395,130	\$ 17,747	\$ 16,963	\$ 225,899	\$ 655,739
Investments (Note 4)	1,256,699	44,203	344	1,866,446	3,167,692
Accounts receivable	11,967	-	-	34,745	46,712
Due from other funds (Note 10)	-	67,466	-	-	67,466
Due from other governmental units	4,150	67,000	24,316	7,000	102,466
Prepaid expenditures	146,555	2,967	2,351	11,419	163,292
Restricted cash (Note 4)	-	-	-	72,855	72,855
<b>Total Assets</b>	<b>\$ 1,814,501</b>	<b>\$ 199,383</b>	<b>\$ 43,974</b>	<b>\$ 2,218,364</b>	<b>\$ 4,276,222</b>
<b>Liabilities and Fund Balance</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 99,852	\$ 155	\$ -	\$ 41,276	\$ 141,283
Accrued liabilities	88,294	387	1,341	12,584	102,606
Due to other funds (Note 10)	-	-	-	67,466	67,466
Deferred revenues	-	-	-	24,158	24,158
<b>Total Liabilities:</b>	<b>188,146</b>	<b>542</b>	<b>1,341</b>	<b>145,484</b>	<b>335,513</b>
<b>Fund Balance:</b>					
Reserved for prepaid expenditures	146,555	2,967	2,351	11,419	163,292
Unreserved, designated for:					
Working capital	500,000	-	-	-	500,000
Industrial land	34,796	-	-	-	34,796
Rice Creek	51,682	-	-	-	51,682
Industrial development	-	-	-	451,002	451,002
Debt service	-	-	-	99,887	99,887
Industrial park expansion	-	-	-	324,574	324,574
Infrastructure improvements	-	-	-	122,538	122,538
Snow removal	-	-	-	10,000	10,000
MTT adjustment	275	-	-	15	290
Scholarship	-	-	-	282	282
Special projects	-	-	-	397,628	397,628
Undesignated, reported in:					
General Fund	893,047	-	-	-	893,047
Special Revenue Funds	-	195,874	40,282	460,071	696,227
Capital Projects Funds	-	-	-	195,464	195,464
<b>Total Fund Balance</b>	<b>1,626,355</b>	<b>198,841</b>	<b>42,633</b>	<b>2,072,880</b>	<b>3,940,709</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 1,814,501</b>	<b>\$ 199,383</b>	<b>\$ 43,974</b>	<b>\$ 2,218,364</b>	<b>\$ 4,276,222</b>

See accompanying notes to financial statements.

# City of Marshall, Michigan

## Reconciliation of the Fund Balance of Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets

<i>June 30, 2004</i>	<i>Amount</i>
<b>Total Fund Balance - Total governmental funds (from Page 13)</b>	<b>\$ 3,940,709</b>
<b>Amounts Reported for Governmental Activities in the Statement of Net Assets are different because:</b>	
Long term accounts receivable do not represent current financial resources and, therefore, are not reported in the funds.	55,000
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:	
Capital assets, at cost	17,353,124
Accumulated depreciation	<u>(6,649,465)</u>
Net capital assets	10,703,659
Internal Service Funds are used by management to charge the costs of certain activities, such as data processing, safety, and motor pool to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Assets.	2,085,865
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. Balances at June 30, 2004, were:	
Bonds payable	(6,999,273)
Compensated absences	(277,656)
Accrued interest on bonds	<u>(75,277)</u>
	<u>(7,352,206)</u>
<b>Net Assets of Governmental Activities</b>	<b>\$ 9,433,027</b>

*See accompanying notes to financial statements.*

# City of Marshall, Michigan

## Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance

<i>Year Ended June 30, 2004</i>	<i>General</i>	<i>Major Street</i>	<i>Local Street</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>Revenues:</b>					
Taxes	\$ 3,218,374	\$ -	\$ -	\$ 743,640	\$ 3,962,014
Licenses and permits	90,577	-	-	-	90,577
Federal sources	2,732	-	-	-	2,732
State sources	765,823	416,247	159,533	1,330	1,342,933
Contributions	106,826	-	-	366,012	472,838
Charges for services	56,419	-	-	188,172	244,591
Fines and forfeitures	49,708	-	-	1,083	50,791
Interest and rent	58,026	1,072	308	26,276	85,682
Other	207,148	-	-	22,290	229,438
<b>Total Revenues</b>	<b>4,555,633</b>	<b>417,319</b>	<b>159,841</b>	<b>1,348,803</b>	<b>6,481,596</b>
<b>Expenditures:</b>					
Current:					
General government	1,269,843	-	-	1,081,882	2,351,725
Public safety	1,979,023	-	-	-	1,979,023
Public works	812,266	-	-	-	812,266
Community development	76,734	-	-	-	76,734
Recreation and culture	109,766	-	-	-	109,766
Highways and streets	-	121,900	115,605	-	237,505
Parking	-	-	-	25,346	25,346
Other	73,116	-	-	432	73,548
Debt service:					
Principal	72,456	105,000	-	335,525	512,981
Interest and other charges	11,729	66,680	-	301,870	380,279
Capital outlay	137,029	129,404	135,605	4,370	406,408
<b>Total Expenditures</b>	<b>4,541,962</b>	<b>422,984</b>	<b>251,210</b>	<b>1,749,425</b>	<b>6,965,581</b>
<b>Excess (Deficiency) of</b>					
<b>Revenues Over Expenditures</b>	<b>13,671</b>	<b>(5,665)</b>	<b>(91,369)</b>	<b>(400,622)</b>	<b>(483,985)</b>
<b>Other Financing Sources (Uses):</b>					
Transfers in	183,139	67,466	40,000	528,860	819,465
Transfers out	(425,853)	(40,000)	-	(113,892)	(579,745)
<b>Total Other Financing Sources (Uses)</b>	<b>(242,714)</b>	<b>27,466</b>	<b>40,000</b>	<b>414,968</b>	<b>239,720</b>
<b>Net Change in Fund Balances</b>	<b>(229,043)</b>	<b>21,801</b>	<b>(51,369)</b>	<b>14,346</b>	<b>(244,265)</b>
<b>Fund Balances, beginning of year</b>	<b>1,855,398</b>	<b>177,040</b>	<b>94,002</b>	<b>2,058,534</b>	<b>4,184,974</b>
<b>Fund Balances, end of year</b>	<b>\$ 1,626,355</b>	<b>\$ 198,841</b>	<b>\$ 42,633</b>	<b>\$ 2,072,880</b>	<b>\$ 3,940,709</b>

See accompanying notes to financial statements.

# City of Marshall, Michigan

## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities

<i>Year Ended June 30, 2004</i>	<i>Amount</i>
Net Change in Fund Balance – Total governmental funds (from Page 15)	\$ (244,265)
<b>Amounts Reported for Governmental Activities in the Statement of Net Assets are different because:</b>	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$504,334) exceeds capital outlays (\$137,032).	(367,302)
Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets - Repayments	512,981
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds: Accrued interest	(9,646)
Compensated absences	(7,143)
Internal Service Funds are used by management to charge the costs of certain activities, such as data processing, safety, and motor pool to individual funds. The net revenue of the Internal Service Funds is reported in governmental activities.	557,665
<b>Change in Net Assets of Governmental Activities</b>	<b>\$ 442,290</b>

*See accompanying notes to financial statements.*



# City of Marshall, Michigan

## General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual

<i>Year Ended June 30, 2004</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
<b>Revenues:</b>				
<i>Taxes:</i>				
Property taxes	\$ 3,220,000	\$ 3,213,000	\$ 3,212,809	\$ (191)
Delinquent personal property taxes	2,000	2,000	5,565	3,565
<i>Total Taxes</i>	<i>3,222,000</i>	<i>3,215,000</i>	<i>3,218,374</i>	<i>3,374</i>
<i>Licenses and Permits</i>	<i>77,200</i>	<i>84,200</i>	<i>90,577</i>	<i>6,377</i>
<i>Federal Grants</i>	<i>997,000</i>	<i>2,700</i>	<i>2,732</i>	<i>32</i>
<i>State Sources:</i>				
Liquor license refund	6,200	6,600	6,591	(9)
Sales tax - constitutional	478,021	490,321	478,797	(11,524)
Sales tax - statutory	267,997	280,297	280,435	138
<i>Total State Sources</i>	<i>752,218</i>	<i>777,218</i>	<i>765,823</i>	<i>(11,395)</i>
<i>Contributions</i>	<i>98,993</i>	<i>98,993</i>	<i>106,826</i>	<i>7,833</i>
<i>Charges for Services:</i>				
Fees	8,500	8,500	6,990	(1,510)
Sales	54,500	46,500	49,429	2,929
<i>Total Charges for Services</i>	<i>63,000</i>	<i>55,000</i>	<i>56,419</i>	<i>1,419</i>
<i>Fines and Forfeitures:</i>				
Penalties and interest on taxes	15,000	15,000	19,892	4,892
NSF revenue	100	100	160	60
Ordinance fines	46,500	32,500	29,656	(2,844)
<i>Total Fines and Forfeitures</i>	<i>61,600</i>	<i>47,600</i>	<i>49,708</i>	<i>2,108</i>
<i>Rentals</i>	<i>9,777</i>	<i>11,277</i>	<i>11,172</i>	<i>(105)</i>
<i>Interest</i>	<i>58,100</i>	<i>35,100</i>	<i>46,854</i>	<i>11,754</i>
<i>Miscellaneous Revenue:</i>				
Cable commissions	56,000	57,500	56,551	(949)
Miscellaneous	134,121	137,121	150,597	13,476
<i>Total Miscellaneous Revenue</i>	<i>190,121</i>	<i>194,621</i>	<i>207,148</i>	<i>12,527</i>
<b>Total Revenues</b>	<b>5,530,009</b>	<b>4,521,709</b>	<b>4,555,633</b>	<b>33,924</b>

See accompanying notes to financial statements.

# City of Marshall, Michigan

## General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (Continued)

<i>Year Ended June 30, 2004</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
<b>Expenditures:</b>				
<i>General Government:</i>				
Council	\$ 6,006	\$ 7,006	\$ 7,858	\$ (852)
Manager	147,370	147,370	144,182	3,188
Assessor	104,012	104,012	97,962	6,050
Attorney	93,500	93,500	94,254	(754)
Human resources	58,386	62,386	60,986	1,400
Clerk-treasurer	311,714	311,714	306,960	4,754
City hall	75,573	78,073	77,268	805
Chapel	1,750	2,500	2,346	154
Other city property	1,348	2,720	2,718	2
Cemetery	140,695	140,695	151,098	(10,403)
Non-departmental	402,742	402,742	324,211	78,531
<i>Total General Government</i>	<i>1,343,096</i>	<i>1,352,718</i>	<i>1,269,843</i>	<i>82,875</i>
<i>Public Safety:</i>				
Police	1,213,330	1,183,330	1,146,099	37,231
Fire	676,508	676,508	674,111	2,397
Inspection/code enforcement	109,864	127,864	125,349	2,515
Crossing guards	39,495	39,495	33,464	6,031
<i>Total Public Safety</i>	<i>2,039,197</i>	<i>2,027,197</i>	<i>1,979,023</i>	<i>48,174</i>
<i>Public Works:</i>				
Streets	666,883	652,311	651,309	1,002
Utility services building	117,124	106,124	93,772	12,352
Engineering	72,300	72,300	67,185	5,115
<i>Total Public Works</i>	<i>856,307</i>	<i>830,735</i>	<i>812,266</i>	<i>18,469</i>
<i>Community Development:</i>				
Community development	16,229	16,229	14,807	1,422
Planning	70,477	70,477	61,927	8,550
<i>Total Community Development</i>	<i>86,706</i>	<i>86,706</i>	<i>76,734</i>	<i>9,972</i>
<i>Culture and Recreational - Parks</i>	<i>74,675</i>	<i>109,675</i>	<i>109,766</i>	<i>(91)</i>
<i>Other - Airport</i>	<i>92,742</i>	<i>92,742</i>	<i>73,116</i>	<i>19,626</i>

See accompanying notes to financial statements.

# City of Marshall, Michigan

## General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (Concluded)

<i>Year Ended June 30, 2004</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
<b>Expenditures (Concluded):</b>				
<i>Debt Service:</i>				
Principal	\$ 11,512	\$ 11,512	\$ 72,456	\$ (60,944)
Interest and other charges	11,055	10,627	11,729	(1,102)
<i>Total Debt Service</i>	22,567	22,139	84,185	(62,046)
<i>Capital Outlay</i>	1,536,752	186,552	137,029	49,523
<b>Total Expenditures</b>	6,052,042	4,708,464	4,541,962	166,502
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(522,033)	(186,755)	13,671	200,426
<b>Other Financing Sources (Uses):</b>				
Transfers in	213,937	203,737	183,139	(20,598)
Transfers out	(153,316)	(477,516)	(425,853)	51,663
<b>Total Other Financing Sources (Uses)</b>	60,621	(273,779)	(242,714)	31,065
<b>Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)</b>	(461,412)	(460,534)	(229,043)	231,491
<b>Fund Balance, beginning of year</b>	1,855,398	1,855,398	1,855,398	-
<b>Fund Balance, end of year</b>	\$ 1,393,986	\$ 1,394,864	\$ 1,626,355	\$ 231,491

*See accompanying notes to financial statements.*

# City of Marshall, Michigan

## Major Street Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual

<i>Year Ended June 30, 2004</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
<b>Revenues:</b>				
State sources	\$ 387,470	\$ 387,470	\$ 416,247	\$ 28,777
Interest income	2,000	2,000	1,072	(928)
<b>Total Revenues</b>	<b>389,470</b>	<b>389,470</b>	<b>417,319</b>	<b>27,849</b>
<b>Expenditures:</b>				
Highways and streets	183,125	183,125	121,900	61,225
Debt service:				
Principal	172,380	133,991	105,000	28,991
Interest and other charges	-	38,389	66,680	(28,291)
Capital outlay	167,466	167,466	129,404	38,062
<b>Total Expenditures</b>	<b>522,971</b>	<b>522,971</b>	<b>422,984</b>	<b>99,987</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(133,501)</b>	<b>(133,501)</b>	<b>(5,665)</b>	<b>127,836</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	91,466	91,466	67,466	(24,000)
Transfers out	(40,000)	(40,000)	(40,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>51,466</b>	<b>51,466</b>	<b>27,466</b>	<b>(24,000)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)</b>	<b>(82,035)</b>	<b>(82,035)</b>	<b>21,801</b>	<b>103,836</b>
<b>Fund Balance, beginning of year</b>	<b>177,040</b>	<b>177,040</b>	<b>177,040</b>	<b>-</b>
<b>Fund Balance, end of year</b>	<b>\$ 95,005</b>	<b>\$ 95,005</b>	<b>\$ 198,841</b>	<b>\$ 103,836</b>

See accompanying notes to financial statements.

# City of Marshall, Michigan

## Local Street Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual

<i>Year Ended June 30, 2004</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
<b>Revenues:</b>				
State sources	\$ 134,225	\$ 134,225	\$ 159,533	\$ 25,308
Interest and rent	3,200	3,200	308	(2,892)
<b>Total Revenues</b>	<b>137,425</b>	<b>137,425</b>	<b>159,841</b>	<b>22,416</b>
<b>Expenditures:</b>				
Highways and streets	134,950	134,950	115,605	19,345
Capital outlay	109,940	109,940	135,605	(25,665)
<b>Total Expenditures</b>	<b>244,890</b>	<b>244,890</b>	<b>251,210</b>	<b>(6,320)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(107,465)</b>	<b>(107,465)</b>	<b>(91,369)</b>	<b>28,736</b>
<b>Other Financing Sources - Transfers in</b>	<b>40,000</b>	<b>40,000</b>	<b>40,000</b>	<b>-</b>
<b>Deficiency of Revenues Over Expenditures and Other Financing Sources (Uses)</b>	<b>(67,465)</b>	<b>(67,465)</b>	<b>(51,369)</b>	<b>28,736</b>
<b>Fund Balance, beginning of year</b>	<b>94,002</b>	<b>94,002</b>	<b>94,002</b>	<b>-</b>
<b>Fund Balance, end of year</b>	<b>\$ 26,537</b>	<b>\$ 26,537</b>	<b>\$ 42,633</b>	<b>\$ 16,096</b>

See accompanying notes to financial statements.

<i>June 30, 2004</i>	<i>Electric</i>	<i>Water</i>	<i>Wastewater</i>
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents (Note 4)	\$ 551,202	\$ 152,182	\$ 144,031
Investments (Note 4)	297	14,467	313,643
Accounts receivable	719,859	98,770	83,256
Inventories	685,185	63,219	5,244
Prepaid expenses	59,466	17,157	20,247
Total current assets	2,016,009	345,795	566,421
Restricted assets - Cash and investments (Note 4)	704,947	711,649	420,571
Capital assets:			
Land	58,092	56,101	9,756
Land improvements	-	-	-
Plant and equipment	14,037,002	10,226,016	9,745,417
Office equipment and furniture	236,504	23,853	26,794
Construction in progress	60,727	115,692	-
Less accumulated depreciation	(9,051,343)	(3,294,545)	(4,067,866)
Net capital assets (Note 7)	5,340,982	7,127,117	5,714,101
Other assets:			
Investment in MSCPA (Note 5)	2,053,963	-	-
Bond issuance costs, net of accumulated amortization	31,428	139,750	89,560
Total other assets	2,085,391	139,750	89,560
<b>Total Assets</b>	<b>\$ 10,147,329</b>	<b>\$ 8,324,311</b>	<b>\$ 6,790,653</b>

# City of Marshall, Michigan

## Proprietary Funds Statement of Net Assets

<i>Marshall House</i>	<i>Dial-A-Ride Transportation</i>	<i>Total</i>	<i>Governmental Activities - Internal Service Funds</i>
\$ 55,105	\$ 12,933	\$ 915,453	\$ 165,182
533,465	185,963	1,047,835	812,468
(2,416)	(13,699)	885,770	-
-	-	753,648	-
9,309	10,819	116,998	15,809
595,463	196,016	3,719,704	993,459
25,088	-	1,862,255	-
-	-	123,949	-
22,940	-	22,940	-
742,917	518,435	35,269,787	2,276,722
1,460	7,449	296,060	-
-	-	176,419	-
(359,616)	(242,504)	(17,015,874)	(1,033,016)
407,701	283,380	18,873,281	1,243,706
-	-	2,053,963	-
-	-	260,738	-
-	-	2,314,701	-
\$ 1,028,252	\$ 479,396	\$ 26,769,941	\$ 2,237,165

See accompanying notes to financial statements.

*June 30, 2004*

	<i>Electric</i>	<i>Water</i>	<i>Wastewater</i>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	\$ 817,900	\$ 114,883	\$ 10,933
Accrued liabilities	24,268	10,144	9,287
Due to other governmental units	1,946	-	-
Current portion of long-term liabilities (Note 8)	253,000	264,598	220,193
<b>Total current liabilities</b>	<b>1,097,114</b>	<b>389,625</b>	<b>240,413</b>
Restricted liabilities -			
Payable from restricted assets:			
Accrued interest	23,113	34,550	26,766
Customer deposits	90,756	5,950	-
<b>Total restricted liabilities</b>	<b>113,869</b>	<b>40,500</b>	<b>26,766</b>
Long-term obligations (Note 8):			
Contract and note payable	167,000	200,371	934,359
Bond payable	995,000	205,919	2,804,081
Capital lease payable	-	3,735,000	-
Compensated absences	97,951	27,394	47,987
<b>Total long-term obligations</b>	<b>1,259,951</b>	<b>4,168,684</b>	<b>3,786,427</b>
<b>Total Liabilities</b>	<b>2,470,934</b>	<b>4,598,809</b>	<b>4,053,606</b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	3,925,982	2,721,229	1,755,468
Restricted for debt and replacement reserves	353,314	394,276	346,407
Unrestricted	3,397,099	609,997	635,172
<b>Total Net Assets</b>	<b>7,676,395</b>	<b>3,725,502</b>	<b>2,737,047</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 10,147,329</b>	<b>\$ 8,324,311</b>	<b>\$ 6,790,653</b>



# City of Marshall, Michigan

## Proprietary Funds Statement of Net Assets (Concluded)

<i>Marshall House</i>	<i>Dial-A-Ride Transportation</i>	<i>Total</i>	<i>Governmental Activities - Internal Service Funds</i>
\$ 1,435	\$ 4,908	\$ 950,059	\$ 20,847
3,186	4,978	51,863	4,379
33	1,528	3,507	-
-	-	737,791	15,000
4,654	11,414	1,743,220	40,226
-	-	84,429	-
25,075	-	121,781	-
25,075	-	206,210	-
-	-	1,301,730	110,000
-	-	4,005,000	-
-	-	3,735,000	-
9,737	18,500	201,569	1,074
9,737	18,500	9,243,299	111,074
39,466	29,914	11,192,729	151,300
407,701	283,380	9,093,760	-
489,726	-	1,583,723	-
91,359	166,102	4,899,729	2,085,865
988,786	449,482	15,577,212	2,085,865
\$ 1,028,252	\$ 479,396	\$ 26,769,941	\$ 2,237,165

See accompanying notes to financial statements.

<i>Year Ended June 30, 2004</i>	<i>Electric</i>	<i>Water</i>	<i>Wastewater</i>
<b>Operating Revenues:</b>			
Sales:			
Residential	\$ 2,940,948	\$ 758,409	\$ 658,504
Commercial	3,884,085	411,150	373,017
Industrial	3,735,925	304,834	164,722
Sales to the City	529,348	45,697	25,815
Sales to MSCPA	59,092	-	-
Sales capacity to MSCPA	81,324	-	-
Charges for services	36,004	42,520	-
Federal sources	-	-	-
State sources	-	10,388	-
Rent	6,387	26,779	-
Miscellaneous	170,853	20,734	60,786
<b>Total Operating Revenues</b>	<b>11,443,966</b>	<b>1,620,511</b>	<b>1,282,844</b>
<b>Operating Expenses:</b>			
Personal services	1,087,140	408,433	394,209
Materials and supplies	117,524	20,040	24,074
Purchased power	8,018,734	67,477	88,805
Insurance	167,137	38,610	41,308
Maintenance	63,574	85,350	59,813
Depreciation	576,585	287,840	382,175
Amortization	2,461	10,750	5,849
Other	345,416	103,459	204,393
<b>Total Operating Expenses</b>	<b>10,378,571</b>	<b>1,021,959</b>	<b>1,200,626</b>
<b>Operating Income (Loss)</b>	<b>1,065,395</b>	<b>598,552</b>	<b>82,218</b>
<b>Nonoperating Revenues (Expenses):</b>			
Gain on sale of fixed assets	27,500	-	-
Interest income	13,508	6,855	6,624
Interest expense	(75,311)	(246,809)	(148,420)
Miscellaneous income	-	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(34,303)</b>	<b>(239,954)</b>	<b>(141,796)</b>
<b>Income (Loss) Before Transfers</b>	<b>1,031,092</b>	<b>358,598</b>	<b>(59,578)</b>
<b>Transfers In</b>	<b>-</b>	<b>-</b>	<b>2,753</b>
<b>Transfers Out</b>	<b>(321,214)</b>	<b>(53,467)</b>	<b>(6,165)</b>
<b>Change in Net Assets</b>	<b>709,878</b>	<b>305,131</b>	<b>(62,990)</b>
<b>Net Assets, beginning of year</b>	<b>6,966,517</b>	<b>3,420,371</b>	<b>2,800,037</b>
<b>Net Assets, end of year</b>	<b>\$ 7,676,395</b>	<b>\$ 3,725,502</b>	<b>\$ 2,737,047</b>

# City of Marshall, Michigan

## Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Assets

<i>Marshall House</i>	<i>Dial-A-Ride Transportation</i>	<i>Total</i>	<i>Governmental Activities - Internal Service Funds</i>
\$ -	\$ -	\$ 4,357,861	\$ -
-	-	4,668,252	-
-	-	4,205,481	-
-	-	600,860	-
-	-	59,092	-
-	-	81,324	-
-	38,129	116,653	116,012
319,905	34,239	354,144	-
-	122,586	132,974	-
295,411	-	328,577	497,899
9,049	1,271	262,693	166,198
624,365	196,225	15,167,911	780,109
133,874	252,437	2,276,093	239,229
2,805	39,040	203,483	-
96,978	-	8,271,994	-
14,487	3,689	265,231	-
35,015	-	243,752	114,224
72,151	70,514	1,389,265	270,757
-	-	19,060	-
131,653	35,745	820,666	19,657
486,963	401,425	13,489,544	643,867
137,402	(205,200)	1,678,367	136,242
-	-	27,500	46,297
12,151	2,622	41,760	8,829
-	-	(470,540)	(7,586)
-	101,283	101,283	-
12,151	103,905	(299,997)	47,540
149,553	(101,295)	1,378,370	183,782
-	-	2,753	373,883
(235,322)	(188)	(616,356)	-
(85,769)	(101,483)	764,767	557,665
1,074,555	550,965	14,812,445	1,528,200
\$ 988,786	\$ 449,482	\$ 15,577,212	\$ 2,085,865

See accompanying notes to financial statements.

<i>Year Ended June 30, 2004</i>	<i>Electric</i>	<i>Water</i>	<i>Wastewater</i>
<b>Operating Activities:</b>			
Receipts from customers and users	\$ 11,225,667	\$ 1,629,539	\$ 1,239,783
Other operating revenue	170,853	20,734	60,786
Payments to employees and suppliers	(9,704,084)	(658,030)	(810,561)
<b>Cash Provided by (Used in) Operating Activities</b>	<b>1,692,436</b>	<b>992,243</b>	<b>490,008</b>
<b>Non-Capital Financing Activities:</b>			
Transfers from other funds	-	-	2,753
Transfers to other funds	(321,214)	(53,467)	(6,165)
Miscellaneous income	-	-	-
<b>Cash Provided by (Used in) Non-Capital Financing Activities</b>	<b>(321,214)</b>	<b>(53,467)</b>	<b>(3,412)</b>
<b>Capital and Related Financing Activities:</b>			
Purchases of capital assets	(499,554)	(216,995)	(22,880)
Proceeds from sale of capital assets	27,500	-	-
Principal paid on capital debt	(252,000)	(245,607)	(168,781)
Interest paid on capital debt	(80,165)	(251,533)	(146,093)
<b>Cash Provided by (Used in) Capital and Related Financing Activities</b>	<b>(804,219)</b>	<b>(714,135)</b>	<b>(337,754)</b>
<b>Investing Activities:</b>			
Investment in MSCPA	(15,105)	-	-
Interest received	13,508	6,855	6,624
<b>Cash Provided by (Used in) Investing Activities</b>	<b>(1,597)</b>	<b>6,855</b>	<b>6,624</b>
<b>Increase (Decrease) in Cash</b>	<b>565,406</b>	<b>231,496</b>	<b>155,466</b>
<b>Cash and Investments, beginning of year</b>	<b>691,040</b>	<b>646,802</b>	<b>722,779</b>
<b>Cash and Investments, end of year</b>	<b>\$ 1,256,446</b>	<b>\$ 878,298</b>	<b>\$ 878,245</b>

# City of Marshall, Michigan

## Proprietary Funds Statement of Cash Flows

<i>Marshall House</i>	<i>Dial-A-Ride Transportation</i>	<i>Total</i>	<i>Governmental Activities - Internal Service Funds</i>
\$ 617,732	\$ 217,931	\$ 14,930,652	\$ 615,915
9,049	1,271	262,693	166,198
(420,859)	(340,532)	(11,934,066)	(370,525)
205,922	(121,330)	3,259,279	411,588
-	-	2,753	373,883
(235,322)	(188)	(616,356)	-
-	101,283	101,283	-
(235,322)	101,095	(512,320)	373,883
(16,850)	-	(756,279)	(629,896)
-	-	27,500	46,298
-	-	(666,388)	(15,000)
-	-	(477,791)	(7,586)
(16,850)	-	(1,872,958)	(606,184)
-	-	(15,105)	-
12,151	2,622	41,760	8,829
12,151	2,622	26,655	8,829
(34,099)	(17,613)	900,656	188,116
647,757	216,509	2,924,887	789,534
\$ 613,658	\$ 198,896	\$ 3,825,543	\$ 977,650

See accompanying notes to financial statements.

<i>Year Ended June 30, 2004</i>	<i>Electric</i>	<i>Water</i>	<i>Wastewater</i>
<b>Reconciliation of Cash and Cash Equivalents to</b>			
<b>Statement of Net Assets:</b>			
Cash and cash equivalents	\$ 551,202	\$ 152,182	\$ 144,031
Investments	297	14,467	313,643
Restricted cash	704,947	711,649	420,571
<b>Total Cash and Cash Equivalents at June 30, 2004</b>	<b>\$ 1,256,446</b>	<b>\$ 878,298</b>	<b>\$ 878,245</b>
<b>Reconciliation of Operating Income (Loss) to</b>			
<b>Cash Provided by (Used in)</b>			
<b>Operating Activities:</b>			
Operating income (loss)	\$ 1,065,395	\$ 598,552	\$ 82,218
Depreciation and amortization	579,046	298,590	388,024
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(56,333)	25,294	17,725
Internal balances	8,380	4,469	-
Due from other governmental units	507	-	-
Inventories	749	21,509	(4,381)
Prepaid expenses	(9,097)	(4,796)	(2,836)
Increase (decrease) in:			
Accounts payable	90,946	40,766	(253)
Customer deposits	1,434	1,233	-
Compensated absences	5,857	1,967	7,534
Accrued liabilities	5,552	4,659	1,977
Due to other governmental units	-	-	-
<b>Cash Provided by (Used in) Operating Activities</b>	<b>\$ 1,692,436</b>	<b>\$ 992,243</b>	<b>\$ 490,008</b>

# City of Marshall, Michigan

## Proprietary Funds Statement of Cash Flows (Concluded)

<i>Marshall House</i>	<i>Dial-A-Ride Transportation</i>	<i>Total</i>	<i>Governmental Activities - Internal Service Funds</i>
\$ 55,105	\$ 12,933	\$ 915,453	\$ 165,182
533,465	185,963	1,047,835	812,468
25,088	-	1,862,255	-
<u>\$ 613,658</u>	<u>\$ 198,896</u>	<u>\$ 3,825,543</u>	<u>\$ 977,650</u>
\$ 137,402	\$ (205,200)	\$ 1,678,367	\$ 136,242
72,151	70,514	1,408,325	270,757
2,416	19,253	8,355	2,004
-	3,724	16,573	-
-	-	507	-
-	-	17,877	-
(1,878)	(6,381)	(24,988)	(3,698)
498	2,933	134,890	16,179
(4,612)	-	(1,945)	-
(1,141)	(688)	13,529	(9,499)
1,086	3,450	16,724	(397)
-	(8,935)	(8,935)	-
<u>\$ 205,922</u>	<u>\$ (121,330)</u>	<u>\$ 3,259,279</u>	<u>\$ 411,588</u>

See accompanying notes to financial statements.

# City of Marshall, Michigan

## Fiduciary Funds Statement of Fiduciary Net Assets

<i>June 30, 2004</i>	<i>Private Purpose Trust Funds</i>	<i>Tax Account Agency Fund</i>
<b>Assets:</b>		
Cash (Note 4)	\$ 94,514	\$ 7,271
Investments (Note 4)	416,963	-
Accounts receivable	804	76,267
Due from other governmental units	-	394
<b>Total Assets</b>	<b>\$ 512,281</b>	<b>\$ 83,932</b>
<b>Liabilities:</b>		
Accounts payable	\$ -	\$ 1,099
Interfund payable	-	15,849
Due to other governmental units	-	66,984
<b>Total Liabilities</b>	<b>-</b>	<b>83,932</b>
<b>Net Assets -</b>		
Held in trust	512,281	-
<b>Total Liabilities and Net Assets</b>	<b>\$ 512,281</b>	<b>\$ 83,932</b>

*See accompanying notes to financial statements.*



# City of Marshall, Michigan

## Fiduciary Funds Statement of Changes in Fiduciary Net Assets

<i>Year Ended June 30, 2004</i>	<i>Private Purpose Trust Funds</i>
Additions:	
State sources	\$ 4,064
Charges for services	15,311
Interest income	5,581
<b>Total Additions</b>	<b>24,956</b>
Deductions:	
Professional services	4,066
Capital outlay	21,395
<b>Total Deductions</b>	<b>25,461</b>
<b>Change in Net Assets</b>	<b>(505)</b>
<b>Net Assets, beginning of year</b>	<b>512,786</b>
<b>Net Assets, end of year</b>	<b>\$ 512,281</b>

*See accompanying notes to financial statements.*

# City of Marshall, Michigan

## Notes to Financial Statements

### 1. Description of the City

The City was incorporated in 1830 and operates under a Council - City Manager form of government. The City provides the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, and electric utilities.

### 2. Summary of Significant Accounting Policies

#### *The Reporting Entity*

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, the financial statements present the City (the primary government) and its component units. The following blended component units are included in the City's reporting entity because of the significance of their operational and financial relationships with the City.

#### *Blended Component Units*

##### *Building Authority -*

The Building Authority (the Authority) was established by the City in 1967 under the authority contained in Act 31, Michigan Public Acts of 1948, as amended in 1969 and 1984. The Act authorized the City to incorporate an authority for the purpose or purposes as follows: to build, acquire, furnish, equip, own, improve, enlarge, lease, operate, and maintain a building or buildings, automobile parking lots or structures, recreational facilities, stadiums and the necessary site or sites therefore, together with appurtenant properties and facilities necessary or convenient for the effective use thereof, for use for any legitimate public purpose of the City of Marshall. The governing body of the Authority is known as the "Commission" and consists of the City Manager, the City Assessor, and the City Clerk/Treasurer.

##### *Downtown Development Authority -*

The Downtown Development Authority (the Authority) was established by the City on August 17, 1981, under the authority contained in Act No. 197 of the Public Acts of Michigan of 1975 as amended. The Act authorizes the City to provide for the creation of the Authority; to define the boundaries of the downtown development district; to correct and prevent deterioration in the central business district; and to authorize the issuance of bonds and other evidences of indebtedness. The taxes collected on the increased taxable value resulting from the Downtown Development Authority provided improvements are used to pay debt service and promote the downtown. The Downtown Development Authority Board is comprised of the City Manager and 12 citizen members appointed by the City Manager, subject to approval by the City Council.

##### *Local Development Finance Authority -*

The Local Development Finance Authority (the Authority) was established by the City on May 7, 1992, under the authority contained in Act no. 281 of the Public Acts of Michigan of 1986, as amended. The Act authorizes the City to provide for the creation of the Authority; to define the boundaries of the local development district; to eliminate the conditions of unemployment, underemployment and joblessness by enhancing or expanding industrial development; and to authorize the issuance of bonds and other evidences of indebtedness. The taxes collected on the increased taxable resulting from the Local Development Finance Authority provided improvements are used to pay debt service and continue expansion of the industrial park. The Local Development Finance Authority Board of Directors is comprised of eleven members, seven of which are appointed by the City Manager subject to the approval of the Marshall City Council and four of which are appointed by the taxing authorities represented in the Tax Increment Finance Plan.

# City of Marshall, Michigan

## Notes to Financial Statements (Continued)

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There are no other entities that the City is financially accountable or any other organization that the nature and significance of its relationship with the City is such that exclusion causes the reporting entity's basic financial statements to be misleading or incomplete. The City determines taxable value of property and bills, collects, and distributes property taxes for several taxing districts. These districts are not included in these basic financial statements because they are entities with independently elected boards and/or commissions who establish their own millage rates and are responsible for all financial control including budgeting and operating surpluses and deficits.

### Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its blended component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree that the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions restricted to meeting the operation or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

### Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City uses restricted resources only as allowed by law. It is the City's policy to use "designated" or "appropriated" resources when applicable and unrestricted resources for all other uses.

The City reports the following major governmental funds:

- The *General Fund* is used to account for all financial transactions not accounted for in another fund including general operating expenditures of the local units. Revenues are derived primarily from property taxes and state shared revenue, grants, and other intergovernmental revenues.
- The *Major Street Fund* accounts for the maintenance of all major streets and trunklines. Financing is provided by special revenues from provisions of Act 51 of 1951 as amended.
- The *Local Street Fund* accounts for the maintenance of all local streets. Financing is provided by special revenues from provisions of Act 51 of 1951 as amended.

# City of Marshall, Michigan

## Notes to Financial Statements (Continued)

The City reports the following proprietary funds:

- The *Electric Fund* accounts for the operation and maintenance of the electric supply system, capital additions, and retirement of revenue bonds. Financing is provided by user charges and contributions by other funds, municipalities, and customers. This fund is considered a major fund.
- The *Water Fund* accounts for the operation and maintenance of the water supply system, capital additions, and retirement of revenue bonds. Financing is provided by user charges and contributions by other funds, municipalities, and customers. This fund is considered a major fund.
- The *Wastewater Fund* accounts for the operation and maintenance of the sewage disposal system, capital additions, and improvements and retirement of revenue bonds. Financing is provided by user charges and contributions by other funds, municipalities, and customers. This fund is considered a major fund.
- The *Marshall House Fund* accounts for the operation and maintenance of lower-income senior citizen housing. This fund provides senior citizens with decent, safe, affordable, and sanitary rental housing. Financing is provided by federal housing assistance payments.
- The *Dial-A-Ride Transportation Fund* accounts for the operation and maintenance of public transportation. Financing is provided by special revenues from provisions of Act 51 of 1951, as amended, and Section 18 of the Urban Mass Transportation Act of 1964, as amended, contributions by other funds, municipalities, customers, and passenger fees.

Additionally, the City reports the following fund types:

- The *Special Revenue Funds* are used to account for specific revenue derived from state and federal grants, General Fund appropriations, and charges for services that are to be expended for specific purposes as dictated by legal, regulatory, or administrative requirements.
- The *Debt Service Funds* are used to account for the accumulation of resources for, and the payment of, long-term and special assessment obligations, principal, interest, and related costs.
- The *Capital Projects Funds* are used to account for revenues used for the acquisition or construction of major capital facilities other than those financed by Proprietary Fund operations.
- The *Internal Service Funds* are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost reimbursement basis.
- The *Agency Fund* accounts for money held by the City in a trustee capacity, which is to be distributed later.
- The *Cemetery Trust Fund* is used to account for money held in trust by the City for the perpetual care of certain cemetery lots. The principal must be maintained intact and invested.
- The *Industrial Development Trust* is used to account for money held in trust by the City for the sole purpose of providing investment capital for industrial growth.

# City of Marshall, Michigan

## Notes to Financial Statements (Continued)

### *Measurement Focus and Basis of Accounting*

Government-wide, Proprietary, and Fiduciary Fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available if they are collected within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the City considers revenues available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when cash is received by the government.

All governmental and business-type activities and enterprise funds of the City follow applicable accounting and financial reporting standards of the Financial Accounting Standards Board issued through November 30, 1989, unless those pronouncements conflict with Governmental Accounting Standards Board pronouncements.

### *Budgets and Budgetary Accounting*

- *General Budgetary Policies.* The City Manager submits to the City Council a proposed operating budget for the fiscal year. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayer comments. Prior to July 1, the budget is legally enacted through passage of a resolution.
- *Budget Transfers and Amendments.* The City Manager is authorized to transfer budgeted amounts between departments, up to \$10,000, within any fund; however, any revisions altering the total expenditures of any fund must be approved by the City Council.
- *Budgetary Basis of Accounting.* The formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP).

Appropriations are authorized by resolution at the departmental level for the General Fund and at the fund level for all other funds. These are the legal levels of budgetary control. Administrative control is maintained through the establishment of more detailed line item budgets. All unexpended appropriations lapse at year-end.

# City of Marshall, Michigan

## Notes to Financial Statements (Continued)

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### *Cash, Cash Equivalents, and Investments*

The City considers cash and cash equivalents including amounts in demand and time deposits as well as short-term investments with a maturity date within three months of the date required by the government, when purchased to be cash for the Statement of Cash Flows.

State statutes authorize the City to invest in obligations of the U.S. treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's investment pool. Investments are reported at fair value, except that commercial paper and U.S. Treasury and Agency obligations with a remaining maturity at the time of purchase of one year or less, are shown at amortized cost.

### *Interfund Transactions*

Activity between funds are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

### *Inventories and Prepaid Expenses*

Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both government-wide and fund financial statements.

### *Restricted Assets*

Certain proceeds of the City's proprietary fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "restricted" account is used to segregate resources accumulated for debt service payments. Designated accounts are used to report resources set aside to meet various capital requirements.

# City of Marshall, Michigan

## Notes to Financial Statements (Continued)

### *Capital Assets*

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns of the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

All fixed assets are valued at historical cost or estimated historical cost where actual cost information is not available. Infrastructure assets have not been included in the current year acquisitions. Donated fixed assets are recorded at their fair value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized as projects are constructed.

Depreciation of all exhaustible fixed assets used by the City is charged as an expense against its various functions. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

Buildings	5-50 years
Improvements	10-20 years
Equipment	3-15 years

### *Compensated Absences*

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

### *Long-Term Obligations*

In the government-wide financial statements and proprietary fund financial statements, long-term debt, notes, and other obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund types statements of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bond using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### *Net Assets*

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, laws, or regulations from other governments.

# City of Marshall, Michigan

## Notes to Financial Statements (Continued)

### *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results may differ from those estimates.

## 3. Stewardship, Compliance, and Accountability

### *Budgetary Compliance*

The Uniform Budgeting Act (P.A. 621 of 1978) of the state of Michigan requires all General and Special Revenue Funds annually adopt balanced budgets.

Budgets for the General and all Special Revenue Funds are adopted on the modified accrual basis.

In the body of the combining and individual basic financial statements, the City's actual and budgeted expenditures for the budgetary funds have been shown on a functional level basis. The adopted budgets of the City for these budgetary funds were adopted on a functional basis.

### *Compliance*

As of June 30, 2004, the City is in compliance with the bond and interest redemption income requirements for the Electric, Water, and Wastewater Funds.

### *Expenditures Over Appropriations*

P.A. 621 of 1978 Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the City's actual expenditures and budgeted expenditures have been shown on a functional basis. The City incurred expenditures in certain budgetary funds, which were in excess of the amounts appropriated, as follows:

<u>Year Ended June 30, 2004</u>	<u>Excess Expenditures</u>
Major Governmental Funds -	
Local Street	\$ 6,320



# City of Marshall, Michigan

## Notes to Financial Statements (Continued)

### 4. Cash, Cash Equivalents, and Investments

#### *Deposits*

State statutes require certificates of deposit, savings accounts, deposit accounts, and depository receipts are made with banks doing and having a place of business in the state of Michigan, which are also members of a federal or national insurance corporation. There are three categories of credit risk that apply to the City's bank balance: 1) insured or collateralized with securities held by the City or by the City's agent in the City's name, 2) collateralized with securities held by the pledging financial institution's trust department or the City's agent in the City's name, and 3) uncollateralized. Cash, cash equivalents, and restricted cash at June 30, 2004, consists of the following:

<i>Deposits</i>	<i>Carrying Amount</i>	<i>Bank Balance</i>
Insured (FDIC) (risk category number 1)	\$ 104,514	\$ 104,514
Non-insured (risk category number 3)	3,279,032	3,365,488
<b>Total Cash, Cash Equivalents, and Restricted Cash</b>	<b>\$ 3,383,546</b>	<b>\$ 3,470,002</b>

The cash deposits are in various financial institutions located in the City in varying amounts. The City's policy limits the investing options to a financial institution located in the state, except when bonding ordinances specify a specific financial institution.

The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. In addition, the laws of the state of Michigan do not provide for collateralization of bank deposits. As a result, the City evaluates each financial institution it deposits city funds with and assesses the level of risk of each financial institution; only those institutions with an acceptable estimated risk level are used as depositories. All accounts are in the name of the City and a specific fund or common account. They are recorded in the City records at cost.

#### *Investments*

State statutes authorize the City to invest in obligations of the U.S. treasury and other related governmental agencies, commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services, bankers' acceptances of U.S. banks, U.S. government or federal agency obligation repurchase agreements, and mutual funds comprised of the types of investment vehicles previously named.

The City's investments are categorized as follows to give an indication of the level of risk assumed by the City at year-end. Category 1 includes investments that are insured or registered for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name.

# City of Marshall, Michigan

## Notes to Financial Statements (Continued)

The City's investments at June 30, 2004, consist of the following:

<i>Investments</i>	<i>Risk Category</i>	<i>Principal Amount</i>	<i>Fair Value</i>
Commercial Paper	1	\$ 405,000	\$ 403,429
Agency Notes	2	1,481,000	1,472,494
Certificates of Deposit	2	2,875,815	2,875,815
		4,761,815	4,751,738
Money Market Funds		1,089,902	1,089,902
<b>Total Investments</b>		<b>\$ 5,851,717</b>	<b>\$ 5,841,640</b>

A reconciliation of the notes to the cash and investments shown on the financial statements at June 30, 2004, is as follows:

	<i>Primary Government</i>
Cash and investments per notes:	
Cash deposits	\$ 3,383,546
Petty cash	864
Investments	5,833,817
	<b>\$ 9,218,227</b>
Cash and investments per Statement of Net Assets:	
Cash	\$ 1,736,374
Investments	5,027,995
Restricted cash	1,935,110
Cash and investments of Fiduciary Funds:	
Private Purpose Trust Funds:	
Cash	94,514
Investments	416,963
Agency Fund -	
Cash	7,271
	<b>\$ 9,218,227</b>

# City of Marshall, Michigan

## Notes to Financial Statements (Continued)

### 5. Investment in Michigan South Central Power Agency

The Michigan South Central Power Agency (MSCPA) was organized in 1978 under the authority of Michigan Public Act 448 of 1976, to supply electricity to member municipalities in South Central Michigan. The act provides that the agency will establish rates and charges to produce revenues sufficient to cover its costs, but may not operate for profit, except for the benefit of the public. The agency is governed by a board of commissioners, which is comprised of one representative from each participating municipality and the general manager of the agency. Participating municipalities and their respective shares of ownership are as follows:

	<i>Percentage of Ownership</i>
City of Coldwater	40.0%
City of Hillsdale	25.5%
City of Marshall	24.0%
Village of Clinton	6.5%
Village of Union City	4.0%
	<u>100.0%</u>

The City is accounting for its investment in MSCPA as a joint venture in accordance with GASB Statement No. 14. Information presented below is taken from financial statements of the MSCPA for the years ended June 30, 2004 and 2003, examined by other auditors whose report dated August 12, 2004, expressed an unqualified opinion on those statements.

The City has entered into a Power Sales Contract with the agency, which requires the City to purchase all of its bulk power supply from the agency and to pay its share of the agency's operating and debt service costs. The City has also entered into an agreement for services to be provided by the agency in respect to substation facilities and an agreement, which requires the City to sell to the agency power generated by its facilities. Summary information of the City's investments in the MSCPA is as follows:

	<i>June 30, 2004</i>		<i>June 30, 2003</i>	
	<i>MSCPA</i>	<i>City of Marshall Portion 24.00%</i>	<i>MSCPA</i>	<i>City of Marshall Portion 24.00%</i>
<b>Total Assets</b>	\$ 85,109,361	\$ 20,426,247	\$ 88,706,034	\$ 21,289,448
<b>Total Liabilities</b>	\$ 72,543,249	\$ 17,410,380	\$ 76,202,861	\$ 18,288,687
<b>Total Net Assets</b>	<u>12,566,112</u>	<u>3,015,867</u>	<u>12,503,173</u>	<u>3,000,761</u>
<b>Total Liabilities and Net Assets</b>	\$ 85,109,361	\$ 20,426,247	\$ 88,706,034	\$ 21,289,448
<b>Total Revenues</b>	\$ 38,339,597	\$ 9,201,503	\$ 36,949,115	\$ 8,867,788
<b>Total Expenses</b>	<u>38,276,658</u>	<u>9,186,397</u>	<u>37,352,034</u>	<u>8,964,489</u>
<b>Net Revenues</b>	62,939	15,106	(402,919)	(96,701)
<b>Capital Contributions</b>	-	-	900,540	216,130
<b>Extraordinary Item</b>	-	-	4,071,735	977,216
<b>Net Assets, beginning of year</b>	<u>12,503,173</u>	<u>3,000,761</u>	<u>7,933,817</u>	<u>1,904,116</u>
<b>Net Assets, end of year</b>	\$ <u>12,566,112</u>	\$ <u>3,015,867</u>	\$ <u>12,503,173</u>	\$ <u>3,000,761</u>

# City of Marshall, Michigan

## Notes to Financial Statements (Continued)

Power Supply System Revenue Refunding Bonds of the agency, at June 30, 2004, consisted of the following that the City pays its share through the MSCPA purchased power charges:

2002 Series - 5.00% Term Bonds, due 2011, with annual Sinking Fund requirements beginning in 2008	\$ 31,190,000
1992 Series - 3.50% to 5.90% Serial Bonds, maturing annually on November 1, through 2006	21,605,000
1994 Series - 7.00% Term Bonds, due November 1, 2011	8,385,000
2000 Series - 6.00% Serial Bonds, maturing annually on May 1, 2010 to 2012	6,475,000
2003 Series - 4.08% Serial Bonds, maturing annually on November 1, 2004 to 2010	2,072,283
Total	69,727,283
Less unamortized discount/loss on refunding	1,931,974
Net	67,795,309
Less current portion	7,090,548
Total	\$ 60,704,761

### 6. Property Taxes

The City's property taxes are levied each August 1 on the taxable value of property located in the City as of the preceding December 31, the lien date, and are due by each September 15. Real property taxes remaining unpaid on the following March 1 are turned over to the County Treasurer for collection and the City is paid in full for the taxes from the County delinquent tax revolving fund. Assessed values are established annually by the City and subject to acceptance by the County and are equalized by the State at an estimated 50% of current market value.

State equalized property value in the City was assessed and equalized at a total of \$268,492,000, representing 50% of the current market value. The total state equalized value was comprised of \$246,257,500, representing ad valorem real and personal property and \$22,234,500, representing Public Act 198 property. The taxable value for said ad valorem real and personal property and Public Act 198 was \$215,752,733 and \$22,234,500, respectively. For purposes of the City's taxing of Public Act 198 property, the taxable value must be converted to an equivalent taxable value of \$11,117,250.

# City of Marshall, Michigan

## Notes to Financial Statements (Continued)

### 7. Capital Assets

Capital asset activity for the year ended June 30, 2004, was as follows:

<i>Primary Government</i>	<i>Balance June 30, 2003</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance June 30, 2004</i>
<b>Governmental Activities:</b>				
Capital assets not depreciated - Land	\$ 2,232,662	\$ -	\$ -	\$ 2,232,662
Capital assets depreciated:				
Buildings	8,478,926	68,000	-	8,546,926
Improvements other than buildings	5,280,070	87,130	-	5,367,200
Machinery and equipment	2,908,127	611,795	(75,111)	3,444,811
Office equipment and furniture	38,247	-	-	38,247
<b>Totals at Historical Cost</b>	<b>18,938,032</b>	<b>766,925</b>	<b>(75,111)</b>	<b>19,629,846</b>
Less accumulated depreciation:				
Buildings and improvements	(5,049,247)	(459,677)	-	(5,508,924)
Plant, equipment, office equipment, and furniture	(1,933,254)	(315,414)	75,111	(2,173,557)
<b>Total accumulated depreciation</b>	<b>(6,982,501)</b>	<b>(775,091)</b>	<b>75,111</b>	<b>(7,682,481)</b>
<b>Total Governmental Activities - Net Capital Assets</b>	<b>\$ 11,955,531</b>	<b>\$ (8,166)</b>	<b>\$ -</b>	<b>\$ 11,947,365</b>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 110,573
Public safety	103,169
Public works	396,416
Recreation and culture	138,751
Other	26,182
<b>Total</b>	<b>\$ 775,091</b>

<i>Primary Government</i>	<i>Balance June 30, 2003</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance June 30, 2004</i>
<b>Business-Type Activities:</b>				
Capital assets not depreciated:				
Land	\$ 123,949	\$ -	\$ -	\$ 123,949
Construction in process	21,246	155,173	-	176,419
Capital assets depreciated:				
Land improvements	9,690	13,250	-	22,940
Buildings and improvements	5,777,634	8,652	(5,898)	5,780,388
Plant and equipment	29,010,604	579,525	(100,730)	29,489,399
Office equipment and furniture	320,400	-	(24,340)	296,060
<b>Totals at Historical Cost</b>	<b>35,263,523</b>	<b>756,600</b>	<b>(130,968)</b>	<b>35,889,155</b>
Less accumulated depreciation:				
Buildings and improvements	(2,206,267)	(230,145)	5,898	(2,430,514)
Plant, equipment, office equipment, and furniture	(13,550,989)	(1,159,120)	124,749	(14,585,360)
<b>Total accumulated depreciation</b>	<b>(15,757,256)</b>	<b>(1,389,265)</b>	<b>130,647</b>	<b>(17,015,874)</b>
<b>Total Business-Type Activities - Net Capital Assets</b>	<b>\$ 19,506,267</b>	<b>\$ (632,665)</b>	<b>\$ (321)</b>	<b>\$ 18,873,281</b>

# City of Marshall, Michigan

## Notes to Financial Statements (Continued)

### 8. Long-Term Liabilities

Changes in long-term liabilities were as follows:

<i>Primary Government</i>	<i>Beginning Balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending Balance</i>	<i>Due Within One Year</i>
<b>Governmental Activities:</b>					
Bonds and notes payable -					
General obligation debt	\$ 7,597,254	\$ 55,000	\$ (527,981)	\$ 7,124,273	\$ 552,775
Other liabilities -					
Compensated absences	281,086	-	(2,356)	278,730	97,957
<b>Total Long-Term Liabilities - Governmental Activities</b>	<b>7,878,340</b>	<b>55,000</b>	<b>(530,337)</b>	<b>7,403,003</b>	<b>650,732</b>
<b>Business-Type Activities:</b>					
Bonds and notes payable:					
General obligation debt	1,425,909	-	(61,388)	1,364,521	62,791
Revenue bonds	4,875,000	2,753	(407,753)	4,470,000	465,000
<b>Total bonds and notes payable</b>	<b>6,300,909</b>	<b>2,753</b>	<b>(469,141)</b>	<b>5,834,521</b>	<b>527,791</b>
Other liabilities:					
Capital leases	4,145,000	-	(200,000)	3,945,000	210,000
Compensated absences	188,040	13,529	-	201,569	70,037
<b>Total other liabilities</b>	<b>4,333,040</b>	<b>13,529</b>	<b>(200,000)</b>	<b>4,146,569</b>	<b>280,037</b>
<b>Total Long-Term Liabilities - Business-Type Activities</b>	<b>\$10,633,949</b>	<b>\$ 16,282</b>	<b>\$ (669,141)</b>	<b>\$ 9,981,090</b>	<b>\$ 807,828</b>

# City of Marshall, Michigan

## Notes to Financial Statements (Continued)

Long-term bonds and notes at June 30, 2004, is comprised of the following:

<i>Primary Government</i>	<i>Final Maturity Dates</i>	<i>Interest Rates</i>	<i>Outstanding Balance</i>
<b>Governmental Activities:</b>			
1994 Michigan Transportation Bonds	4/1/2008	5.15-5.75%	\$ 565,000
1999 Michigan Transportation Bonds	10/1/2013	3.80-4.60%	675,000
1997 Building Authority Refunding Bonds	12/1/2008	4.40-4.80%	980,000
2000 Building Authority Bonds	4/1/2020	5.40-5.50%	3,045,000
1992 Downtown Development Refunding Bonds	6/1/2007	5.35-5.65%	250,000
2002 Downtown Development Bonds	6/1/2022	4.20-5.10%	715,000
2003 Michigan Tax Tribunal		0.00%	275
2002 Land Contract Payable	5/15/2012	5.43%	596,346
1996 Public Improvement Loan			
Stanton and Associates Note Payable	5/20/2011	9.00%	117,652
2004 Ambulance Note Payable	7/1/2009	3.29%	55,000
1999 Emergency Rescue Vehicle Note Payable	9/1/2009	5.65%	125,000
<b>Total Governmental Activities</b>			<b>\$ 7,124,273</b>
<b>Business-Type Activities:</b>			
1976 Series II Electric Serial Bonds	9/1/2004	5.50-6.25%	\$ 225,000
1999 Electric Utility System Revenue Bonds	9/1/2019	4.25-5.20%	995,000
1989 Michigan State Revolving Fund Program Bonds	10/1/2009	2.00%	815,000
1999 Sewage Disposal System Bond	11/1/2019	5.125-5.20%	2,178,042
1999 Sewage Disposal System Bond	11/1/2019	5.125-5.20%	41,958
1993 Water Supply and Sewage Disposal System Revenue Bonds	11/1/2008	4.85-5.30%	215,000
1996 Water Supply System Limited Tax General Obligation Bonds	5/1/2016	4.80-5.75%	1,205,000
1997 Water Supply System Limited Tax General Obligation Bonds	5/1/2018	4.45-5.75%	2,740,000
2002 Public Improvement Loan			
State Farm Insurance Note Payable	10/1/2017	0.00%	720,000
1996 Public Improvement Loan			
Stanton and Associates Note Payable	5/20/2011	9.00%	203,930
1996 Public Improvement Loan			
Stanton and Associates Note Payable	5/20/2011	9.00%	70,591
1996 Biosolids Storage Tank Note Payable	12/1/2010	5.60%	145,000
1996 Sewer Rodding Truck Note Payable	12/1/2005	5.10%	30,000
2000 Fuel tanks Note Payable	4/1/2010	5.25%	195,000
<b>Total Business-Type Activities</b>			<b>\$ 9,779,521</b>

# City of Marshall, Michigan

## Notes to Financial Statements (Continued)

The compensated absence liability attributable to the governmental activities will be liquidated by the City's Governmental Funds. The annual requirements to pay principal and interest on long-term bonds and notes outstanding for the primary government are as follows:

<i>Year Ending June 30,</i>	<i>Governmental Activities</i>		<i>Business-Type Activities</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2005	\$ 552,775	\$ 367,670	\$ 737,791	\$ 449,468
2006	612,362	338,983	569,550	420,698
2007	641,233	297,685	576,550	396,763
2008	575,308	274,442	592,550	372,167
2009	589,595	244,733	554,550	346,307
2010-2014	1,948,000	853,848	2,923,530	1,256,986
2015-2019	1,545,000	453,218	2,795,000	1,256,986
2020-2024	660,000	46,648	1,030,000	8,060
	<u>\$ 7,124,273</u>	<u>\$ 2,877,227</u>	<u>\$ 9,779,521</u>	<u>\$ 4,507,435</u>

The City entered into a general obligation loan for \$55,000 with an interest rate of 3.29%. The loan was used to fund the purchase of an ambulance on behalf of a third party ambulance service. The ambulance service will make monthly payments to the City for this debt obligation and, therefore, an offsetting receivable for \$55,000 has been established. At June 30, 2004, the outstanding loan balance and receivable were \$55,000.

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

### 9. Pension Plan

The City provides pension benefits for all of its full-time employees. The City participates in the agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System of Michigan (MERS).

The plan is supported by contributions from the City and from active members and from the investment income earned on plan assets, after expenses. Members contribute a portion of their pay at varying rates ranging from 5.82% to 10.39% depending on their unit classification. The City then provides an actuarially determined contribution to meet the financial objective. However, the City made no contribution this year as they are overfunded. The calculated employer contribution rates derived from this actuarial valuation as of December 31, 2003, are based on the present provisions of the Municipal Employees' Retirement Act of 1984, as amended by 1996 Public Act 220, as embodied in the MERS Plan Document (as revised).



# City of Marshall, Michigan

## Notes to Financial Statements (Continued)

MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. The report may be obtained by writing to the following:

Municipal Employees' Retirement System of Michigan  
447 North Canal Street  
Lansing, Michigan 48917-9755

### *Annual Pension Cost*

During the fiscal years ended June 30, 2004, 2003, and 2002, the City made no contributions in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2002, 2001, and 2000. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years.

The actuarial valuation of the plan as of December 31, 2003, will require the City to make an annual contribution of \$137,116. In general terms, the normal cost is the cost of benefit rights accruing on the basis of current service. Technically, the normal cost rate is the level percentage-of-salary contribution required each year, with respect to each employee, to accumulate over his or her projected working lifetime the reserves needed to meet the cost of earned benefits. The normal cost represents the ultimate cost of the Retirement System if the unfunded liability is paid up and the actual experience of the System conforms to the assumptions. Significant actuarial assumptions used include a long-term investment yield rate of 8.0% and annual salary increases of 4.5% plus a percentage based on an age-related scale to reflect merit, longevity, and promotional salary increases.

### *Aggregate Accrued Liabilities - Comparative Schedule*

<i>Fiscal Year Ending June 30,</i>	<i>Valuation Date December 31,</i>	<i>Accrued Liabilities</i>	<i>Valuation Assets</i>	<i>Funded Percent</i>
1999	1998	\$ 11,983,617	\$ 15,069,142	126 %
2000	1999	12,688,726	17,067,791	135
2001	2000	14,468,272	18,463,328	128
2002	2001	15,686,394	19,520,120	124
2003	2002	16,573,087	19,720,188	119
2004	2003	19,935,535	20,517,832	103

<i>Fiscal Year Ending June 30,</i>	<i>Valuation Date December 31,</i>	<i>Unfunded Actuarial Liability</i>	<i>Covered Payroll</i>	<i>UAL as Percent of Annual Payroll</i>
1999	1998	\$ (3,085,524)	\$ 3,412,692	- %
2000	1999	(4,379,064)	3,536,977	-
2001	2000	(3,995,056)	3,821,116	-
2002	2001	(3,833,726)	4,038,439	-
2003	2002	(3,147,101)	3,973,746	-
2004	2003	(582,297)	3,839,753	-

# City of Marshall, Michigan

## Notes to Financial Statements (Concluded)

### 10. Interfund Receivables, Payables, and Transfers

The composition of Interfund balances as of June 30, 2004, is as follows:

<i>Receivable Entity</i>		<i>Payable Entity</i>	<i>Amount</i>
Primary Government - Major Street Fund	\$ 67,466	Primary Government - Other Governmental Funds	\$ 67,466

The position of the City management is that interfund receivables and payables are current in nature.

The transfer amounts consist of the following:

	<i>Transfers In</i>						<i>Total Transfers Out</i>
	<i>General Fund</i>	<i>Major Street</i>	<i>Local Street</i>	<i>Nonmajor Governmental Funds</i>	<i>Wastewater Fund</i>	<i>Internal Service Funds</i>	
<b>Transfers Out:</b>							
General Fund	\$ -	\$ -	\$ -	\$ 81,019	\$ -	\$ 344,834	\$ 425,853
Major Street	-	-	40,000	-	-	-	40,000
Nonmajor Governmental Funds	-	67,466	-	46,419	-	7	113,892
Electric Enterprise Fund	159,932	-	-	132,886	-	28,396	321,214
Wastewater Enterprise Fund	6,000	-	-	-	-	165	6,165
Water Enterprise Fund	17,207	-	-	33,221	2,753	286	53,467
Marshall House Enterprise Fund	-	-	-	235,315	-	7	235,322
Dial-A-Ride Transportation Enterprise Fund	-	-	-	-	-	188	188
<b>Total Transfers In</b>	<b>\$ 183,139</b>	<b>\$ 67,466</b>	<b>\$ 40,000</b>	<b>\$ 528,860</b>	<b>\$ 2,753</b>	<b>\$ 373,883</b>	<b>\$ 1,196,101</b>

### 11. Contingent Liabilities

The City participates in a number of federally assisted grant programs. These programs are subject to program compliance audits. The audits of these programs for the year ended June 30, 2004, have been conducted subject to approval by the granting agency. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

As with any municipality, claims may from time to time be asserted that allege liability on the part of the City connected with matters of environmental control, civil rights discrimination, and general liability. The City is involved in various legal proceedings; while any litigation or investigation has an element of uncertainty, the City believes the uninsured portion of any lawsuit, or claim that is pending or threatened, or all of them combined, will not have a materially adverse effect on its financial condition or operations.

# City of Marshall, Michigan

## Notes to Financial Statements (Concluded)

### 12. Postemployment Benefits Other Than Pension Benefits

The City's Other Postemployment Benefits (OPEB) provides basic medical and hospitalization (health care) benefits, including prescriptions, to eligible retirees and dependents at no cost to the participants so long as the employee's retirement date is on or before March 31, 2003. Those employees retired April 1, 2003, or after receive the same basic medical and hospitalization (health care) benefits, including prescriptions, with a required contribution of 5% of the health care premium. The percent contribution is subject to change based on the contribution requirement of current non-union employees. To qualify, retirees must be receiving a pension check from a retirement system maintained by the City or another system approved by the City. The City's OPEB expense is recorded on a pay-as-you-go basis. The annual expense is not material to the financial statements.

### 13. Deferred Compensation

The City offers its employees a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. It is the understanding of management that the City has no liability for losses under the plan.

### 14. Risk Management and Related Insurance Issues

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and the public; and natural disasters. In order to minimize its exposure to these risks, the City participates in one public entity risk pool, the Michigan Municipal Liability and Property Pool (MMLPP) for insurance coverage for liability, auto, crime, and property damage risks. The government pays an annual contribution to the pool for its insurance coverage. The agreements for formation of the pool provide that the pool will be self-sustaining through member contributions. The MMLPP reinsures in excess of \$500,000 for liability and \$100,000 in property loss. The City has a self-insured retention up to \$1,000 for each insured event under the comprehensive general liability policy.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The City estimates the range of loss, contingent upon these additional assessments to be immaterial. The pool publishes its own financial reports and may be obtained from the following:

Michigan Municipal Liability and Property Pool  
P.O. Box 2054  
Southfield, Michigan 48037

# City of Marshall, Michigan

## Notes to Financial Statements (Concluded)

### 15. Installment Purchase

Evaluation of installment purchase limit as of June 30, 2004:

<u>Equalized Assessed Value – Real and personal</u>	<u>\$ 241,477,988</u>
<u>Limit Equal to 1.25% of Total Equalized Assessed Value</u>	<u>3,018,475</u>
<b>Outstanding Installment Purchase Contracts:</b>	
State Farm Insurance Company	720,000
Quigley Land Contract	596,346
Stanton and Associates Public Improvements	392,173
Fuel Tanks	195,000
Biosolids Storage Tank	145,000
Fire Rescue Vehicle	125,000
Sewer Rodding Truck	30,000
Ambulance Installment Loan - 2004	55,000
<u>Total Outstanding Installment Purchase Contracts</u>	<u>2,258,519</u>
<u>Amount Available for Future Installment Purchase Contracts</u>	<u>\$ 759,956</u>

## Supplementary Information

Supplementary Information

## **Nonmajor Governmental Funds**

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# City of Marshall, Michigan

## Nonmajor Governmental Funds Combining Balance Sheet

<i>June 30, 2004</i>	<i>Special Revenue</i>	<i>Debt Service</i>	<i>Capital Projects</i>	<i>Total Other Governmental</i>
<b>Assets:</b>				
Cash	\$ 189,315	\$ 6,009	\$ 30,575	\$ 225,899
Investments	1,634,091	-	232,355	1,866,446
Accounts receivable	34,745	-	-	34,745
Due from other governmental units	7,000	-	-	7,000
Prepaid expenditures	11,419	-	-	11,419
Restricted cash	72,855	-	-	72,855
<b>Total Assets</b>	<b>\$ 1,949,425</b>	<b>\$ 6,009</b>	<b>\$ 262,930</b>	<b>\$ 2,218,364</b>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 41,276	\$ -	\$ -	\$ 41,276
Accrued liabilities	12,584	-	-	12,584
Due to other funds	-	-	67,466	67,466
Deferred revenues	24,158	-	-	24,158
<b>Total Liabilities</b>	<b>78,018</b>	<b>-</b>	<b>67,466</b>	<b>145,484</b>
<b>Fund Balance:</b>				
Unreserved:				
Designated:				
Industrial development	451,002	-	-	451,002
Debt service	93,878	6,009	-	99,887
Industrial park expansion	324,574	-	-	324,574
Infrastructure improvements	122,538	-	-	122,538
Snow removal	10,000	-	-	10,000
MTT adjustment	15	-	-	15
Scholarship	282	-	-	282
Special projects	397,628	-	-	397,628
Undesignated	471,490	-	195,464	666,954
<b>Total Fund Balance</b>	<b>1,871,407</b>	<b>6,009</b>	<b>195,464</b>	<b>2,072,880</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 1,949,425</b>	<b>\$ 6,009</b>	<b>\$ 262,930</b>	<b>\$ 2,218,364</b>

# City of Marshall, Michigan

## Nonmajor Governmental Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balance

<i>Year Ended June 30, 2004</i>	<i>Special Revenue</i>	<i>Debt Service</i>	<i>Capital Projects</i>	<i>Total Other Governmental</i>
<b>Revenues:</b>				
Taxes	\$ 743,640	\$ -	\$ -	\$ 743,640
State grants	1,330	-	-	1,330
Contributions	366,012	-	-	366,012
Charges for services	188,172	-	-	188,172
Fines and forfeitures	1,083	-	-	1,083
Interest	23,223	36	3,017	26,276
Other revenues	22,290	-	-	22,290
<b>Total Revenues</b>	<b>1,345,750</b>	<b>36</b>	<b>3,017</b>	<b>1,348,803</b>
<b>Expenditures:</b>				
Current:				
General government	1,081,349	533	-	1,081,882
Parking	25,346	-	-	25,346
Professional services	-	-	432	432
Debt service:				
Principal	150,175	185,350	-	335,525
Interest expense	86,331	215,539	-	301,870
Capital outlay	4,370	-	-	4,370
<b>Total Expenditures</b>	<b>1,347,571</b>	<b>401,422</b>	<b>432</b>	<b>1,749,425</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(1,821)</b>	<b>(401,386)</b>	<b>2,585</b>	<b>(400,622)</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	127,438	401,422	-	528,860
Transfers out	(1,657)	-	(112,235)	(113,892)
<b>Total Other Financing Sources (Uses)</b>	<b>125,781</b>	<b>401,422</b>	<b>(112,235)</b>	<b>414,968</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Sources (Uses)</b>	<b>123,960</b>	<b>36</b>	<b>(109,650)</b>	<b>14,346</b>
<b>Fund Balance, beginning of year</b>	<b>1,747,447</b>	<b>5,973</b>	<b>305,114</b>	<b>2,058,534</b>
<b>Fund Balance, end of year</b>	<b>\$ 1,871,407</b>	<b>\$ 6,009</b>	<b>\$ 195,464</b>	<b>\$ 2,072,880</b>



## Nonmajor Special Revenue Funds

[REDACTED]

# **City of Marshall, Michigan**

## **Nonmajor Special Revenue Funds**

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**Composting Fund**

**Parking System Fund**

**Drug Law Enforcement Fund**

**Downtown Development Authority Fund**

**Economic Development Corporation Fund**

**Local Development Finance Authority Fund**

**Recreation Fund**

**Special Projects Fund**

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<i>June 30, 2004</i>	<i>Composting</i>	<i>Parking System</i>	<i>Drug Law Enforcement</i>	<i>Economic Development Corporation</i>
<b>Assets:</b>				
Cash:				
Unrestricted	\$ 27,989	\$ 684	\$ 4,582	\$ 8,815
Restricted	-	-	-	-
Investments	-	-	-	-
Accounts receivable	-	-	-	-
Due from other government units	-	-	-	-
Prepaid expenditures	1,056	532	-	-
<b>Total Assets</b>	<b>\$ 29,045</b>	<b>\$ 1,216</b>	<b>\$ 4,582</b>	<b>\$ 8,815</b>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 482	\$ 7	\$ -	\$ -
Accrued liabilities	473	568	-	-
Deferred revenues	-	-	-	-
<b>Total Liabilities</b>	<b>955</b>	<b>575</b>	<b>-</b>	<b>-</b>
<b>Fund Balance:</b>				
Designated	-	-	-	-
Undesignated	28,090	641	4,582	8,815
<b>Total Fund Balance</b>	<b>28,090</b>	<b>641</b>	<b>4,582</b>	<b>8,815</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 29,045</b>	<b>\$ 1,216</b>	<b>\$ 4,582</b>	<b>\$ 8,815</b>

# City of Marshall, Michigan

## Nonmajor Special Revenue Funds Combining Balance Sheet



<i>Local Development Finance Authority</i>	<i>Downtown Development Authority</i>	<i>Recreation</i>	<i>Special Projects</i>	<i>Total</i>
\$ 29,681	\$ 25,053	\$ 25,979	\$ 66,532	\$ 189,315
15,578	57,277	-	-	72,855
962,650	202,038	165,776	303,627	1,634,091
-	842	7	33,896	34,745
-	-	-	7,000	7,000
-	2,381	6,870	580	11,419
<u>\$ 1,007,909</u>	<u>\$ 287,591</u>	<u>\$ 198,632</u>	<u>\$ 411,635</u>	<u>\$ 1,949,425</u>
\$ 15,917	\$ 2,160	\$ 8,703	\$ 14,007	\$ 41,276
-	1,293	10,250	-	12,584
-	10,000	14,158	-	24,158
<u>15,917</u>	<u>13,453</u>	<u>33,111</u>	<u>14,007</u>	<u>78,018</u>
991,992	10,000	297	397,628	1,399,917
-	264,138	165,224	-	471,490
<u>991,992</u>	<u>274,138</u>	<u>165,521</u>	<u>397,628</u>	<u>1,871,407</u>
<u>\$ 1,007,909</u>	<u>\$ 287,591</u>	<u>\$ 198,632</u>	<u>\$ 411,635</u>	<u>\$ 1,949,425</u>

<i>Year Ended June 30, 2004</i>	<i>Composting</i>	<i>Parking System</i>	<i>Drug Law Enforcement</i>	<i>Economic Development Corporation</i>
<b>Revenues:</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-
State sources	-	-	-	-
Contributions	12,129	-	-	-
Charges for services	3,516	26,610	-	-
Interest income	90	7	17	31
Miscellaneous	6,768	14	-	-
<b>Total Revenues</b>	<b>22,503</b>	<b>26,631</b>	<b>17</b>	<b>31</b>
<b>Expenditures:</b>				
Current:				
General government	26,798	-	63	124
Parking	-	25,346	-	-
Debt service	-	-	-	-
Interest expense	-	-	-	-
Capital outlay	-	4,370	-	-
<b>Total Expenditures</b>	<b>26,798</b>	<b>29,716</b>	<b>63</b>	<b>124</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(4,295)</b>	<b>(3,085)</b>	<b>(46)</b>	<b>(93)</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	12,129	3,300	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>12,129</b>	<b>3,300</b>	<b>-</b>	<b>-</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<b>7,834</b>	<b>215</b>	<b>(46)</b>	<b>(93)</b>
<b>Fund Balance, beginning of year</b>	<b>20,256</b>	<b>426</b>	<b>4,628</b>	<b>8,908</b>
<b>Fund Balance, end of year</b>	<b>\$ 28,090</b>	<b>\$ 641</b>	<b>\$ 4,582</b>	<b>\$ 8,815</b>

# City of Marshall, Michigan

## Nonmajor Special Revenue Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balance

<i>Local Development Finance Authority</i>	<i>Downtown Development Authority</i>	<i>Recreation</i>	<i>Special Projects</i>	<i>Total</i>
\$ 316,848	\$ 255,515	\$ 171,277	\$ -	\$ 743,640
-	566	517	-	1,083
-	-	1,330	-	1,330
-	70,000	966	282,917	366,012
-	-	158,046	-	188,172
13,668	3,852	2,045	3,513	23,223
-	-	15,508	-	22,290
<u>330,516</u>	<u>329,933</u>	<u>349,689</u>	<u>286,430</u>	<u>1,345,750</u>
311,593	135,206	379,607	227,958	1,081,349
-	-	-	-	25,346
60,175	90,000	-	-	150,175
33,703	52,628	-	-	86,331
-	-	-	-	4,370
<u>405,471</u>	<u>277,834</u>	<u>379,607</u>	<u>227,958</u>	<u>1,347,571</u>
<u>(74,955)</u>	<u>52,099</u>	<u>(29,918)</u>	<u>58,472</u>	<u>(1,821)</u>
-	44,769	67,240	-	127,438
-	(1,650)	(7)	-	(1,657)
-	43,119	67,233	-	125,781
(74,955)	95,218	37,315	58,472	123,960
<u>1,066,947</u>	<u>178,920</u>	<u>128,206</u>	<u>339,156</u>	<u>1,747,447</u>
\$ 991,992	\$ 274,138	\$ 165,521	\$ 397,628	\$ 1,871,407

## **Nonmajor Debt Service Funds**

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# **City of Marshall, Michigan**

## **Nonmajor Debt Service Funds**

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**Building Authority**

**1999 Motor Vehicle Highway Bonds**

**1986 Motor Vehicle Highway Bonds**



# City of Marshall, Michigan

## Nonmajor Debt Service Funds Combining Balance Sheet

<i>June 30, 2004</i>	<i>Building Authority</i>	<i>1999 Motor Vehicle Highway Bonds</i>	<i>1986 Motor Vehicle Highway Bonds</i>	<i>Total</i>
Assets -				
Cash	\$ -	\$ 5,867	\$ 142	\$ 6,009
Fund Balance -				
Designated	\$ -	\$ 5,867	\$ 142	\$ 6,009

# City of Marshall, Michigan

## Nonmajor Debt Service Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balance

<i>Year Ended June 30, 2004</i>	<i>Building Authority</i>	<i>1999 Motor Vehicle Highway Bonds</i>	<i>1986 Motor Vehicle Highway Bonds</i>	<i>Total</i>
<b>Revenues -</b>				
Interest income	\$ -	\$ 35	\$ 1	\$ 36
<b>Expenditures:</b>				
Administrative costs	533	-	-	533
Debt service	185,350	-	-	185,350
Interest paid	215,539	-	-	215,539
<b>Total Expenditures</b>	<b>401,422</b>	<b>-</b>	<b>-</b>	<b>401,422</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(401,422)</b>	<b>35</b>	<b>1</b>	<b>(401,386)</b>
<b>Other Financing Sources -</b>				
Transfers in	401,422	-	-	401,422
<b>Excess Revenues and Other Financing Sources Over Expenditures</b>	<b>-</b>	<b>35</b>	<b>1</b>	<b>36</b>
<b>Fund Balance, beginning of year</b>	<b>-</b>	<b>5,832</b>	<b>141</b>	<b>5,973</b>
<b>Fund Balance, end of year</b>	<b>\$ -</b>	<b>\$ 5,867</b>	<b>\$ 142</b>	<b>\$ 6,009</b>

## **Nonmajor Capital Projects Funds**

[REDACTED]

# **City of Marshall, Michigan**

## **Nonmajor Capital Projects Funds**

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**DDA Construction**

**MVH Major Fund**

**MVH Local Fund**

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# City of Marshall, Michigan

## Nonmajor Capital Projects Funds Combining Balance Sheet

<i>June 30, 2004</i>	<i>DDA Construction</i>	<i>MVH Major</i>	<i>MVH Local</i>	<i>Total</i>
<b>Assets:</b>				
Cash	\$ -	\$ 7,341	\$ 23,234	\$ 30,575
Investments	-	-	232,355	232,355
<b>Total Assets</b>	\$ -	\$ 7,341	\$ 255,589	\$ 262,930
<b>Liabilities and Fund Balance</b>				
<b>Liabilities -</b>				
Due to other funds	\$ -	\$ -	\$ 67,466	\$ 67,466
<b>Fund Balance -</b>				
Undesignated	-	7,341	188,123	195,464
<b>Total Liabilities and Fund Balance</b>	\$ -	\$ 7,341	\$ 255,589	\$ 262,930

# City of Marshall, Michigan

## Nonmajor Capital Projects Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balance

<i>Year Ended June 30, 2004</i>	<i>DDA Construction</i>	<i>MVH Major</i>	<i>MVH Local</i>	<i>Total</i>
<b>Revenues -</b>				
Interest income	\$ 118	\$ 26	\$ 2,873	\$ 3,017
<b>Expenditures -</b>				
Professional services	-	103	329	432
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	118	(77)	2,544	2,585
<b>Other Financing Uses -</b>				
Transfers out	(44,769)	-	(67,466)	(112,235)
<b>Deficiency of Revenues Over Expenditures and Other Financing Uses</b>	(44,651)	(77)	(64,922)	(109,650)
<b>Fund Balance, beginning of year</b>	44,651	7,418	253,045	305,114
<b>Fund Balance, end of year</b>	\$ -	\$ 7,341	\$ 188,123	\$ 195,464

# City of Marshall, Michigan

## Supplemental Material Operating Expenses for Electric, Water, and Wastewater Funds

<i>Year Ended June 30, 2004</i>	<i>Electric</i>	<i>Water</i>	<i>Wastewater</i>	<i>Total</i>
<b>Operating Expenses:</b>				
<i>Administration:</i>				
Personal services	\$ 276,358	\$ 212,109	\$ 138,038	\$ 626,505
Material and supplies	21,100	8,562	9,309	38,971
Insurance	167,137	38,610	41,308	247,055
Maintenance	1,424	6,520	113	8,057
Depreciation	10,363	-	35,670	46,033
Amortization	2,461	10,750	5,849	19,060
Other	98,984	29,705	47,352	176,041
<i>Total Administration</i>	<i>577,827</i>	<i>306,256</i>	<i>277,639</i>	<i>1,161,722</i>
<i>Powerhouse:</i>				
Personal services	298,906	-	-	298,906
Material and supplies	64,980	-	-	64,980
Purchased power	8,018,734	-	-	8,018,734
Maintenance	28,318	-	-	28,318
Depreciation	237,521	-	-	237,521
Other	35,541	-	-	35,541
<i>Total Powerhouse</i>	<i>8,684,000</i>	<i>-</i>	<i>-</i>	<i>8,684,000</i>
<i>Line Distribution:</i>				
Personal services	511,876	142,641	-	654,517
Material and supplies	31,444	6,630	-	38,074
Purchased power	-	2,332	-	2,332
Maintenance	33,832	40,332	-	74,164
Depreciation	328,701	245,095	-	573,796
Other	210,891	46,438	-	257,329
<i>Total Line Distribution</i>	<i>1,116,744</i>	<i>483,468</i>	<i>-</i>	<i>1,600,212</i>
<i>Operations:</i>				
Personal services	-	-	256,171	256,171
Material and supplies	-	-	14,765	14,765
Purchased power	-	-	88,805	88,805
Maintenance	-	-	59,700	59,700
Depreciation	-	-	346,505	346,505
Other	-	-	157,041	157,041
<i>Total Operations</i>	<i>-</i>	<i>-</i>	<i>922,987</i>	<i>922,987</i>

# City of Marshall, Michigan

## Supplemental Material Operating Expenses for Electric, Water, and Wastewater Funds (Concluded)

<i>Year Ended June 30, 2004</i>	<i>Electric</i>	<i>Water</i>	<i>Wastewater</i>	<i>Total</i>
<b>Operating Expenses (Concluded):</b>				
<i>Production:</i>				
Personal services	\$ -	\$ 53,683	\$ -	\$ 53,683
Material and supplies	-	4,848	-	4,848
Purchased power	-	65,145	-	65,145
Maintenance	-	38,498	-	38,498
Depreciation	-	42,745	-	42,745
Other	-	27,316	-	27,316
<i>Total Production</i>	-	232,235	-	232,235
<b>Total Operating Expenses</b>	<b>\$ 10,378,571</b>	<b>\$ 1,021,959</b>	<b>\$ 1,200,626</b>	<b>\$ 12,601,156</b>
<b>Operating Expenses:</b>				
Personal services	\$ 1,087,140	\$ 408,433	\$ 394,209	\$ 1,889,782
Material and supplies	117,524	20,040	24,074	161,638
Purchased power	8,018,734	67,477	88,805	8,175,016
Insurance	167,137	38,610	41,308	247,055
Maintenance	63,574	85,350	59,813	208,737
Depreciation	576,585	287,840	382,175	1,246,600
Amortization	2,461	10,750	5,849	19,060
Other	345,416	103,459	204,393	653,268
<b>Total Operating Expenses</b>	<b>\$ 10,378,571</b>	<b>\$ 1,021,959</b>	<b>\$ 1,200,626</b>	<b>\$ 12,601,156</b>



# City of Marshall, Michigan

## Dial-A-Ride Transportation Fund Supplemental Schedules Year Ended June 30, 2004

<i>Schedule 1</i>	<i>July 1, 2003 - September 30, 2003</i>	<i>October 1, 2003 - June 30, 2004</i>	<i>Total</i>	
<b>Operating Revenues -</b>				
Passenger fares - Local bus operating	\$ 7,641	\$ 30,488	\$ 38,129	
<i>Schedule 2</i>	<i>Operations</i>	<i>Maintenance</i>	<i>General Administration</i>	<i>Total</i>
<b>Operating Expenses:</b>				
Labor	\$ 192,478	\$ 2,506	\$ 12,098	\$ 207,082
Fringe benefits	42,328	704	2,323	45,355
Services	22,196	-	15,419	37,615
Materials and supplies	39,040	-	-	39,040
Utilities	612	-	-	612
Taxes and fees	-	-	188	188
Depreciation	70,514	-	-	70,514
Travel, meetings, and training	-	817	389	1,206
<b>Total Operating Expenses</b>	<b>\$ 367,168</b>	<b>\$ 4,027</b>	<b>\$ 30,417</b>	<b>\$ 401,612</b>
<i>Schedule 3</i>	<i>July 1, 2003 - September 30, 2003</i>	<i>October 1, 2003 - June 30, 2004</i>	<i>Total</i>	
<b>Non-Operating Revenues:</b>				
Local:				
City of Marshall	\$ 101,758	\$ (475)	\$ 101,283	
Interest income	182	2,440	2,622	
Miscellaneous	-	1,271	1,271	
<b>Total Local</b>	<b>101,940</b>	<b>3,236</b>	<b>105,176</b>	
State of Michigan Grants -				
Local bus operating assistance	33,516	89,070	122,586	
Federal Grants:				
Section 5311	-	33,700	33,700	
RTAP	251	288	539	
<b>Total Federal Grants</b>	<b>251</b>	<b>33,988</b>	<b>34,239</b>	
<b>Total Non-Operating Revenues</b>	<b>\$ 135,707</b>	<b>\$ 126,294</b>	<b>\$ 262,001</b>	

# City of Marshall, Michigan

## Dial-A-Ride Transportation Fund Supplemental Schedules (Concluded) Year Ended June 30, 2004

<i>Schedule 5</i>	<i>Federal Section 5311</i>		<i>Local Bus Operating Assistance</i>	
	<i>July 1, 2003 - September 30, 2003</i>	<i>October 1, 2003 - June 30, 2004</i>	<i>July 1, 2003 - September 30, 2003</i>	<i>October 1, 2003 - June 30, 2004</i>
<b>Operating Expenses:</b>				
Labor	\$ 43,187	\$ 163,895	\$ 43,187	\$ 163,895
Fringe benefits	13,097	32,258	13,097	32,258
Services	1,494	36,121	1,494	36,121
Materials and supplies	8,094	30,946	8,094	30,946
Utilities	98	514	98	514
Taxes and fees	-	188	-	188
Depreciation	15,000	55,514	15,000	55,514
Travel, meetings, and training	380	826	380	826
<b>Total Operating Expenses</b>	<b>81,350</b>	<b>320,262</b>	<b>81,350</b>	<b>320,262</b>
Less Ineligible Expenses -				
Locally-Operating Program Expenses -				
Other ineligible	15,000	45,000	15,000	45,000
<b>Net Eligible Expenses</b>	<b>\$ 66,350</b>	<b>\$ 275,262</b>	<b>\$ 66,350</b>	<b>\$ 275,262</b>
<b>Reimbursement Percentage</b>	<b>10.95%</b>	<b>10.95%</b>	<b>42.932189220%</b>	<b>42.236619648%</b>
<b>Maximum Section 5311 Reimbursement</b>	<b>\$ 7,265</b>	<b>\$ 30,141</b>		
<b>Maximum Local Bus Operating Assistance</b>			<b>\$ 28,486</b>	<b>\$ 116,261</b>

<i>Schedule 6</i>	<i>Public Transportation</i>
<b>Operations:</b>	
Demand - Response:	
First quarter	19,144
Second quarter	23,875
Third quarter	26,722
Fourth quarter	22,403
<b>Total Operations - Miles</b>	<b>92,144</b>

## Internal Service Funds

# **City of Marshall, Michigan**

## **Internal Service Funds**

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**Motor Pool Fund**

**Data Processing Fund**

**Safety Fund**

# City of Marshall, Michigan

## Internal Service Funds Combining Statement of Net Assets

<i>June 30, 2004</i>	<i>Motor Pool</i>	<i>Data Processing</i>	<i>Safety</i>	<i>Total</i>
<b>Assets:</b>				
Cash	\$ 112,818	\$ 56,676	\$ (4,312)	\$ 165,182
Investments	674,860	100,445	37,163	812,468
Prepaid expenses	15,739	70	-	15,809
<b>Total Current Assets</b>	<b>803,417</b>	<b>157,191</b>	<b>32,851</b>	<b>993,459</b>
Property, Plant, and Equipment, net of accumulated depreciation	1,178,588	65,118	-	1,243,706
<b>Total Assets</b>	<b>\$ 1,982,005</b>	<b>\$ 222,309</b>	<b>\$ 32,851</b>	<b>\$ 2,237,165</b>
<b>Liabilities and Net Assets</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 16,667	\$ 3,894	\$ 286	\$ 20,847
Accrued liabilities	4,379	-	-	4,379
Compensated absences	1,074	-	-	1,074
Current maturities	15,000	-	-	15,000
<b>Total Liabilities</b>	<b>37,120</b>	<b>3,894</b>	<b>286</b>	<b>41,300</b>
Long-Term Obligation - Contract and note payable	110,000	-	-	110,000
<b>Net Assets</b>	<b>1,834,885</b>	<b>218,415</b>	<b>32,565</b>	<b>2,085,865</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,982,005</b>	<b>\$ 222,309</b>	<b>\$ 32,851</b>	<b>\$ 2,237,165</b>

# City of Marshall, Michigan

## Internal Service Funds Combining Statement of Revenues, Expenses, and Changes in Net Assets

<i>Year Ended June 30, 2004</i>	<i>Motor Pool</i>	<i>Data Processing</i>	<i>Safety</i>	<i>Total</i>
<b>Operating Revenues:</b>				
Charges for services	\$ -	\$ 116,012	\$ -	\$ 116,012
Rentals	497,899	-	-	497,899
Miscellaneous revenue	164,542	656	1,000	166,198
<b>Total Operating Revenues</b>	<b>662,441</b>	<b>116,668</b>	<b>1,000</b>	<b>780,109</b>
<b>Operating Expenses:</b>				
Claims and expenses	197,545	39,818	1,866	239,229
Maintenance	108,668	4,508	1,048	114,224
Contracted services	5,840	13,817	-	19,657
Depreciation	236,720	32,580	1,457	270,757
<b>Total Operating Expenses</b>	<b>548,773</b>	<b>90,723</b>	<b>4,371</b>	<b>643,867</b>
<b>Operating Income (Loss)</b>	<b>113,668</b>	<b>25,945</b>	<b>(3,371)</b>	<b>136,242</b>
<b>Non-Operating Revenues (Expenses):</b>				
Gain on sale of fixed assets	45,117	1,180	-	46,297
Interest income	7,812	770	247	8,829
Interest expense	(7,586)	-	-	(7,586)
<b>Total Non-Operating Revenues</b>	<b>45,343</b>	<b>1,950</b>	<b>247</b>	<b>47,540</b>
<b>Income (Loss) Before Transfers</b>	<b>159,011</b>	<b>27,895</b>	<b>(3,124)</b>	<b>183,782</b>
<b>Transfers in</b>	<b>370,686</b>	<b>-</b>	<b>3,197</b>	<b>373,883</b>
<b>Net Income</b>	<b>529,697</b>	<b>27,895</b>	<b>73</b>	<b>557,665</b>
<b>Net Assets, beginning of year</b>	<b>1,305,188</b>	<b>190,520</b>	<b>32,492</b>	<b>1,528,200</b>
<b>Net Assets, end of year</b>	<b>\$ 1,834,885</b>	<b>\$ 218,415</b>	<b>\$ 32,565</b>	<b>\$ 2,085,865</b>

# City of Marshall, Michigan

## Internal Service Funds Combining Statement of Cash Flows

<i>Year Ended June 30, 2004</i>	<i>Motor Pool</i>	<i>Data Processing</i>	<i>Safety</i>	<i>Total</i>
<b>Operating Activities:</b>				
Receipts from customers and users	\$ 499,903	\$ 116,012	\$ -	\$ 615,915
Other operating revenue	164,542	656	1,000	166,198
Payments to suppliers	(311,822)	(55,789)	(2,914)	(370,525)
<b>Cash Provided by (Used in) Operating Activities</b>	<b>352,623</b>	<b>60,879</b>	<b>(1,914)</b>	<b>411,588</b>
<b>Cash Provided by Non-Capital Financing Activities -</b>				
Transfers from other funds	370,686	-	3,197	373,883
<b>Capital and Related Financing Activities:</b>				
Purchase of capital assets	(629,896)	-	-	(629,896)
Proceeds from sale of capital assets	45,117	1,181	-	46,298
Principal paid on capital debt	(15,000)	-	-	(15,000)
Interest paid on capital debt	(7,586)	-	-	(7,586)
<b>Cash Provided by (Used in) Capital and Related Financing Activities</b>	<b>(607,365)</b>	<b>1,181</b>	<b>-</b>	<b>(606,184)</b>
<b>Cash Provided by Investing Activities -</b>				
Interest received	7,812	770	247	8,829
<b>Net Increase in Cash</b>	<b>123,756</b>	<b>62,830</b>	<b>1,530</b>	<b>188,116</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>663,922</b>	<b>94,291</b>	<b>31,321</b>	<b>789,534</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 787,678</b>	<b>\$ 157,121</b>	<b>\$ 32,851</b>	<b>\$ 977,650</b>
<b>Reconciliation of Cash and Cash Equivalents to Statement of Net Assets:</b>				
Cash	\$ 112,818	\$ 56,676	\$ (4,312)	\$ 165,182
Investments	674,860	100,445	37,163	812,468
<b>Total Cash and Cash Equivalents</b>	<b>\$ 787,678</b>	<b>\$ 157,121</b>	<b>\$ 32,851</b>	<b>\$ 977,650</b>
<b>Reconciliation of Operating Income (Loss) to Cash Provided by (Used in) Operating Activities:</b>				
Operating income (loss)	\$ 113,668	\$ 25,945	\$ (3,371)	\$ 136,242
Depreciation and amortization	236,720	32,580	1,457	270,757
Change in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	2,004	-	-	2,004
Prepaid expenses	(3,688)	(10)	-	(3,698)
Increase (decrease) in:				
Accounts payable	13,815	2,364	-	16,179
Compensated absences	(9,499)	-	-	(9,499)
Accrued expenses	(397)	-	-	(397)
<b>Cash Provided by (Used in) Operating Activities</b>	<b>\$ 352,623</b>	<b>\$ 60,879</b>	<b>\$ (1,914)</b>	<b>\$ 411,588</b>

## Private Purpose Trust Funds

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# City of Marshall, Michigan

## Combining Statement of Fiduciary Net Assets

<i>June 30, 2004</i>	<i>Private Purpose Trust Funds</i>		<i>Total</i>
	<i>Industrial Development Fund</i>	<i>Cemetery Trust Fund</i>	
<b>Assets:</b>			
Cash	\$ -	\$ 94,514	\$ 94,514
Investments	-	416,963	416,963
Accounts receivable	-	804	804
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 512,281</b>	<b>\$ 512,281</b>
 <b>Net Assets -</b>			
Held in trust	\$ -	\$ 512,281	\$ 512,281

# City of Marshall, Michigan

## Combining Statement of Changes in Fiduciary Net Assets

<i>Year Ended June 30, 2004</i>	<i>Private Purpose Trust Funds</i>		<i>Total</i>
	<i>Industrial Development Fund</i>	<i>Cemetery Trust Fund</i>	
<b>Additions:</b>			
State sources	\$ 4,064	\$ -	\$ 4,064
Charges for services	-	15,311	15,311
Interest income	2	5,579	5,581
<b>Total Additions</b>	<b>4,066</b>	<b>20,890</b>	<b>24,956</b>
<b>Deductions:</b>			
Professional services	4,066	-	4,066
Capital outlay	13,538	7,857	21,395
<b>Total Deductions</b>	<b>17,604</b>	<b>7,857</b>	<b>25,461</b>
<b>Change in Net Assets</b>	<b>(13,538)</b>	<b>13,033</b>	<b>(505)</b>
<b>Net Assets, beginning of year</b>	<b>13,538</b>	<b>499,248</b>	<b>512,786</b>
<b>Net Assets, end of year</b>	<b>\$ -</b>	<b>\$ 512,281</b>	<b>\$ 512,281</b>



# **Agency Fund**

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# City of Marshall, Michigan

## Agency Fund Statement of Changes in Assets and Liabilities

	<i>Balance July 1, 2003</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance June 30, 2004</i>
<b>Assets:</b>				
Cash	\$ 3,080	\$ 25,677,908	\$ 25,673,717	\$ 7,271
Investments	196	1	197	-
Accounts receivable	67,697	57,299	48,729	76,267
Due from other governmental units	63,192	-	62,798	394
<b>Total Assets</b>	<b>\$ 134,165</b>	<b>\$ 25,735,208</b>	<b>\$ 25,785,441</b>	<b>\$ 83,932</b>
<b>Liabilities:</b>				
Checks issued against future deposits	\$ 38,586	\$ -	\$ 38,586	\$ -
Accounts payable	21,916	8,058,927	8,079,744	1,099
Interfund payable	15,011	4,494,521	4,493,683	15,849
Due to other governmental units	58,652	8,779,687	8,771,355	66,984
<b>Total Liabilities</b>	<b>\$ 134,165</b>	<b>\$ 21,333,135</b>	<b>\$ 21,383,368</b>	<b>\$ 83,932</b>

## **Summary of Existing Debt**

# City of Marshall, Michigan

## Summary of Existing Debt (Grouped by Fund)

Type: Revenue  
Purpose: Electric  
Dated: October 1, 1976

<i>Year Ending June 30,</i>	<i>Rate</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2005	5.50 %	\$ 225,000	\$ 6,188	\$ 231,188

Type: Revenue  
Purpose: Electric  
Dated: June 1, 1999

<i>Year Ending June 30,</i>	<i>Rate</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2005	- %	\$ -	\$ 49,285	\$ 49,285
2006	4.25 %	45,000	48,329	93,329
2007	4.35 %	50,000	46,285	96,285
2008	4.45 %	50,000	44,085	94,085
2009	4.55 %	55,000	41,721	96,721
2010	4.70 %	55,000	39,178	94,178
2011	4.85 %	60,000	36,430	96,430
2012	5.00 %	60,000	33,475	93,475
2013	5.00 %	65,000	30,350	95,350
2014	5.10 %	65,000	27,068	92,068
2015	5.10 %	70,000	23,625	93,625
2016	5.20 %	75,000	19,890	94,890
2017	5.20 %	80,000	15,860	95,860
2018	5.20 %	85,000	11,570	96,570
2019	5.20 %	90,000	7,020	97,020
2020	5.20 %	90,000	2,340	92,340
		\$ 995,000	\$ 476,511	\$ 1,471,511

Type: Installment Purchase Contract  
Purpose: Fuel Tanks  
Dated: August 3, 2000

<i>Year Ending June 30,</i>	<i>Rate</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2005	5.25 %	\$ 28,000	\$ 10,238	\$ 38,238
2006	5.25 %	30,000	8,768	38,768
2007	5.25 %	32,000	7,193	39,193
2008	5.25 %	33,000	5,513	38,513
2009	5.25 %	35,000	3,780	38,780
2010	5.25 %	37,000	1,943	38,943
		\$ 195,000	\$ 37,435	\$ 232,435

# City of Marshall, Michigan

## Summary of Existing Debt (Grouped by Fund) (Continued)

Type: Revenue  
Purpose: Water  
Dated: August 26, 1993

<i>Year Ending June 30,</i>	<i>Rate</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2005	5.05 %	\$ 50,000	\$ 11,168	\$ 61,168
2006	5.15 %	50,000	8,643	58,643
2007	5.25 %	55,000	6,068	61,068
2008	5.30 %	60,000	3,180	63,180
		\$ 215,000	\$ 29,059	\$ 244,059

Type: Limited Tax  
Purpose: Water  
Dated: June 25, 1996

<i>Year Ending June 30,</i>	<i>Rate</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2005	5.00 %	\$ 65,000	\$ 66,748	\$ 131,748
2006	5.10 %	75,000	63,498	138,498
2007	5.20 %	60,000	59,673	119,673
2008	5.30 %	70,000	56,553	126,553
2009	5.40 %	85,000	52,843	137,843
2010	5.50 %	75,000	48,253	123,253
2011	5.60 %	90,000	44,128	134,128
2012	5.60 %	110,000	39,088	149,088
2013	5.70 %	125,000	32,928	157,928
2014	5.70 %	145,000	25,803	170,803
2015	5.75 %	140,000	17,538	157,538
2016	5.75 %	165,000	9,488	174,488
		\$ 1,205,000	\$ 516,541	\$ 1,721,541

# City of Marshall, Michigan

## Summary of Existing Debt (Grouped by Fund) (Continued)

Type: Limited Tax  
Purpose: Water  
Dated: November 3, 1997

<i>Year Ending June 30,</i>	<i>Rate</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2005	4.70 %	\$ 145,000	\$ 144,320	\$ 289,320
2006	4.70 %	140,000	137,505	277,505
2007	4.70 %	165,000	130,925	295,925
2008	4.80 %	165,000	123,170	288,170
2009	4.90 %	165,000	115,250	280,250
2010	5.00 %	185,000	107,165	292,165
2011	5.10 %	185,000	97,915	282,915
2012	5.15 %	180,000	88,480	268,480
2013	5.20 %	180,000	79,210	259,210
2014	5.25 %	175,000	69,850	244,850
2015	5.75 %	200,000	60,663	260,663
2016	5.75 %	195,000	49,163	244,163
2017	5.75 %	220,000	37,950	257,950
2018	5.75 %	220,000	25,300	245,300
2019	5.75 %	220,000	12,650	232,650
		\$ 2,740,000	\$ 1,279,516	\$ 4,019,516

Type: Limited Tax  
Purpose: Water  
Dated: September 1, 1999

<i>Year Ending June 30,</i>	<i>Rate</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2005	5.13 %	\$ 1,040	\$ 2,136	\$ 3,176
2006	5.13 %	1,040	2,083	3,123
2007	5.13 %	1,040	2,029	3,069
2008	5.13 %	1,039	1,976	3,015
2009	5.13 %	1,039	1,923	2,962
2010	5.13 %	1,040	1,870	2,910
2011	5.13 %	2,362	1,782	4,144
2012	5.13 %	3,024	1,644	4,668
2013	5.13 %	3,213	1,485	4,698
2014	5.13 %	3,402	1,315	4,717
2015	5.13 %	3,496	1,138	4,634
2016	5.13 %	3,780	952	4,732
2017	5.20 %	3,969	752	4,721
2018	5.20 %	4,158	541	4,699
2019	5.20 %	4,158	324	4,482
2020	5.20 %	4,158	108	4,266
		\$ 41,958	\$ 22,058	\$ 64,016



# City of Marshall, Michigan

## Summary of Existing Debt (Grouped by Fund) (Continued)

Type: Limited Tax  
Purpose: Wastewater  
Dated: September 27, 1989

<i>Year Ending June 30,</i>	<i>Rate</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2005	2.00 %	\$ 135,000	\$ 14,950	\$ 149,950
2006	2.00 %	135,000	12,250	147,250
2007	2.00 %	135,000	9,550	144,550
2008	2.00 %	135,000	6,850	141,850
2009	2.00 %	135,000	4,150	139,150
2010	2.00 %	140,000	1,400	141,400
		\$ 815,000	\$ 49,150	\$ 864,150

Type: Installment Purchase Contract  
Purpose: Sewer Rodding Truck  
Dated: January 5, 1996

<i>Year Ending June 30,</i>	<i>Rate</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2005	5.10 %	\$ 15,000	\$ 1,148	\$ 16,148
2006	5.10 %	15,000	383	15,383
		\$ 30,000	\$ 1,531	\$ 31,531

Type: Installment Purchase Contract  
Purpose: Biosolids Storage Tank  
Dated: January 5, 1996

<i>Year Ending June 30,</i>	<i>Rate</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2005	5.60 %	\$ 15,000	\$ 7,700	\$ 22,700
2006	5.60 %	20,000	6,720	26,720
2007	5.60 %	20,000	5,600	25,600
2008	5.60 %	20,000	4,480	24,480
2009	5.60 %	20,000	3,360	23,360
2010	5.60 %	25,000	2,100	27,100
2011	5.60 %	25,000	700	25,700
		\$ 145,000	\$ 30,660	\$ 175,660

# City of Marshall, Michigan

## Summary of Existing Debt (Grouped by Fund) (Continued)

Type: Limited Tax  
Purpose: Wastewater  
Dated: September 1, 1999

<i>Year Ending June 30,</i>	<i>Rate</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2005	5.13 %	\$ 53,960	\$ 110,882	\$ 164,842
2006	5.13 %	53,960	108,117	162,077
2007	5.13 %	53,960	105,351	159,311
2008	5.13 %	53,961	102,586	156,547
2009	5.13 %	53,961	99,820	153,781
2010	5.13 %	53,961	97,055	151,016
2011	5.13 %	122,637	82,529	205,166
2012	5.13 %	156,976	85,364	242,340
2013	5.13 %	166,787	77,077	243,864
2014	5.13 %	176,598	68,269	244,867
2015	5.13 %	181,504	59,092	240,596
2016	5.13 %	196,220	49,413	245,633
2017	5.20 %	206,031	39,028	245,059
2018	5.20 %	215,842	28,059	243,901
2019	5.20 %	215,842	16,836	232,678
2020	5.20 %	215,842	5,612	221,454
		\$ 2,178,042	\$ 1,135,090	\$ 3,313,132

Type: Installment Purchase Contract  
Purpose: Emergency Rescue Vehicle  
Dated: September 1, 1999

<i>Year Ending June 30,</i>	<i>Rate</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2005	5.65 %	\$ 15,000	\$ 6,639	\$ 21,639
2006	5.65 %	20,000	5,650	25,650
2007	5.65 %	20,000	4,520	24,520
2008	5.65 %	20,000	3,390	23,390
2009	5.65 %	25,000	2,119	27,119
2010	5.65 %	25,000	706	25,706
		\$ 125,000	\$ 23,024	\$ 148,024

# City of Marshall, Michigan

## Summary of Existing Debt (Grouped by Fund) (Continued)

Type: Limited Tax  
Purpose: Street Improvements  
Dated: July 1, 1994

<i>Year Ending June 30,</i>	<i>Rate</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2005	5.40 %	\$ 100,000	\$ 31,590	\$ 131,590
2006	5.50 %	100,000	26,190	126,190
2007	5.60 %	115,000	20,690	135,690
2008	5.65 %	125,000	14,250	139,250
2009	5.75 %	125,000	7,188	132,188
		\$ 565,000	\$ 99,908	\$ 664,908

Type: Limited Tax  
Purpose: Street Improvements  
Dated: February 1, 1999

<i>Year Ending June 30,</i>	<i>Rate</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2005	4.00 %	\$ 5,000	\$ 29,643	\$ 34,643
2006	4.05 %	5,000	29,441	34,441
2007	4.15 %	5,000	29,236	34,236
2008	4.20 %	5,000	29,028	34,028
2009	4.25 %	5,000	28,816	33,816
2010	4.25 %	120,000	26,160	146,160
2011	4.30 %	125,000	20,923	145,923
2012	4.40 %	130,000	15,375	145,375
2013	4.50 %	135,000	9,478	144,478
2014	4.60 %	140,000	3,220	143,220
		\$ 675,000	\$ 221,320	\$ 896,320

Type: Limited Tax  
Purpose: Downtown Development  
Dated: January 1, 1993

<i>Year Ending June 30,</i>	<i>Rate</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2005	5.50 %	\$ 80,000	\$ 13,965	\$ 93,965
2006	5.60 %	80,000	9,565	89,565
2007	5.65 %	90,000	5,085	95,085
		\$ 250,000	\$ 28,615	\$ 278,615

# City of Marshall, Michigan

## Summary of Existing Debt (Grouped by Fund) (Continued)

Type: Unlimited Tax  
Purpose: Building Authority Refunding  
Dated: August 1, 1997

<i>Year Ending June 30,</i>	<i>Rate</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2005	4.50 %	\$ 180,000	\$ 41,540	\$ 221,540
2006	4.60 %	205,000	32,775	237,775
2007	4.65 %	200,000	23,410	223,410
2008	4.70 %	200,000	14,060	214,060
2009	4.80 %	195,000	4,680	199,680
		\$ 980,000	\$ 116,465	\$ 1,096,465

Type: Building Authority (LT)  
Purpose: Water and Electric Facility  
Dated: June 1, 2000

<i>Year Ending June 30,</i>	<i>Rate</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2005	5.40 %	\$ 90,000	\$ 165,833	\$ 255,833
2006	5.40 %	110,000	160,973	270,973
2007	5.40 %	110,000	155,033	265,033
2008	5.40 %	120,000	149,093	269,093
2009	5.40 %	125,000	142,613	267,613
2010	5.40 %	135,000	135,863	270,863
2011	5.45 %	140,000	128,573	268,573
2012	5.45 %	150,000	120,943	270,943
2013	5.45 %	155,000	112,768	267,768
2014	5.45 %	165,000	104,320	269,320
2015	5.45 %	175,000	95,328	270,328
2016	5.45 %	185,000	85,790	270,790
2017	5.45 %	285,000	75,708	360,708
2018	5.45 %	310,000	60,175	370,175
2019	5.45 %	340,000	43,280	383,280
2020	5.50 %	450,000	24,750	474,750
		\$ 3,045,000	\$ 1,761,043	\$ 4,806,043

# City of Marshall, Michigan

## Summary of Existing Debt (Grouped by Fund) (Concluded)

Type: Land Contract  
Purpose: Local Development Finance  
Dated: May 15, 2002

<i>Year Ending June 30,</i>	<i>Rate</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2005	5.43 %	\$ 61,497	\$ 32,382	\$ 93,879
2006	5.43 %	64,836	29,042	93,878
2007	5.43 %	68,356	25,522	93,878
2008	5.43 %	72,068	21,810	93,878
2009	5.43 %	75,981	17,897	93,878
2010	5.43 %	80,107	13,771	93,878
2011	5.43 %	84,457	9,421	93,878
2012	5.43 %	89,044	4,834	93,878
		\$ 596,346	\$ 154,679	\$ 751,025

Type: Downtown Development  
Purpose: Downtown Lighting Project  
Dated: June 1, 2002

<i>Year Ending June 30,</i>	<i>Rate</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2005	4.20 %	\$ 15,000	\$ 33,983	\$ 48,983
2006	4.20 %	15,000	33,353	48,353
2007	4.20 %	20,000	32,723	52,723
2008	4.20 %	20,000	31,883	51,883
2009	4.20 %	25,000	31,043	56,043
2010	4.20 %	25,000	29,993	54,993
2011	4.30 %	30,000	28,943	58,943
2012	4.40 %	30,000	27,653	57,653
2013	4.50 %	35,000	26,333	61,333
2014	4.60 %	40,000	24,758	64,758
2015	4.70 %	40,000	22,918	62,918
2016	4.80 %	45,000	21,038	66,038
2017	4.90 %	50,000	18,878	68,878
2018	5.00 %	55,000	16,428	71,428
2019	5.00 %	60,000	13,678	73,678
2020	5.05 %	65,000	10,678	75,678
2021	5.10 %	70,000	7,395	77,395
2022	5.10 %	75,000	3,825	78,825
		\$ 715,000	\$ 415,503	\$ 1,130,503

**Statistical Section  
(Unaudited)**

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# City of Marshall, Michigan

## Statistical Section (Unaudited)

### Census Populations

The City's 1970, 1980, 1990, and 2000 Census populations are set forth in the following table.

<u>Census</u>	<u>Population</u>
1970	7,253
1980	7,201
1990	6,891
2000	7,459

Source: U.S. Department of Commerce - Bureau of Census and City of Marshall, Michigan

### Total Taxable Value Fiscal Years Ended or Ending June 30, 2001 Through 2005

<u>Assessed Value as of December 31,</u>	<u>Year of State Equalization and Tax Levy</u>	<u>City's Fiscal Year Ended or Ending June 30,</u>	<u>Ad valorem Taxable Value</u>	<u>Equivalent Taxable Value of Property Granted Tax Abatement Under Act 198 (1)</u>	<u>Total Taxable Value</u>	<u>Percent Increase Over Prior Year</u>
1999	2000	2001	\$ 188,146,925	\$ 12,679,731	\$ 200,826,656	4.93%
2000	2001	2002	201,414,443	9,729,862	211,144,305	5.14
2001	2002	2003	214,036,978	11,582,180	225,619,158	6.86
2002	2003	2004	215,752,733	11,117,250	226,869,983	0.55
2003	2004	2005	216,944,634	12,266,677	229,211,311	1.03

Per Capita Total Taxable Value for the fiscal year ending June 30, 2005 (2) ..... \$ 30,729.50

(1) At the full tax rate. See "Tax Abatement" herein.

(2) Based on the City's 2000 Census of 7,459.

Source: City of Marshall, Michigan

# City of Marshall, Michigan

## Statistical Section (Unaudited) (Continued)

### Total Taxable Value by Use and Class Fiscal Years Ended or Ending June 30, 2001 Through 2005

<u>Use</u>	<u>Fiscal Year Ended or Ending June 30,</u>				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Commercial	\$ 42,402,919	\$ 44,733,796	\$ 49,816,842	\$ 51,755,061	\$ 51,531,841
Industrial	50,767,258	51,811,218	57,793,412	54,468,127	52,538,384
Residential	106,498,244	112,976,556	116,467,108	119,160,048	123,655,459
Utility	1,158,235	1,622,735	1,541,796	1,486,747	1,485,627
	<u>\$ 200,826,656</u>	<u>\$ 211,144,305</u>	<u>\$ 225,619,158</u>	<u>\$ 226,869,983</u>	<u>\$ 229,211,311</u>

<u>Class</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Real Property	\$ 153,787,115	\$ 163,096,451	\$ 173,031,715	\$ 178,864,487	\$ 184,688,584
Personal Property	47,039,541	48,047,854	52,587,443	48,005,496	44,522,727
	<u>\$ 200,826,656</u>	<u>\$ 211,144,305</u>	<u>\$ 225,619,158</u>	<u>\$ 226,869,983</u>	<u>\$ 229,211,311</u>

Source: City of Marshall, Michigan

### Total State Equalized Valuation Fiscal Years Ended or Ending June 30, 2001 Through 2005

<u>Assessed Value as of December 31,</u>	<u>Year of State Equalization and Tax Levy</u>	<u>City's Fiscal Year Ended or Ending June 30,</u>	<u>Ad valorem SEV</u>	<u>SEV of Property Granted Tax Abatement Under Acts 198 (1)</u>	<u>Total SEV</u>	<u>Percent Increase Over Prior Year</u>
1999	2000	2001	\$ 219,773,850	\$ 25,666,500	\$ 245,440,350	7.30%
2000	2001	2002	230,471,591	19,644,656	250,116,247	1.90
2001	2002	2003	244,926,100	23,284,000	268,210,100	7.23
2002	2003	2004	246,257,500	22,234,500	268,492,000	0.11
2003	2004	2005	250,056,500	24,628,100	274,684,600	2.31

Per Capita Total SEV for the Fiscal Year Ending June 30, 2005 (2).....\$ 36,825.93

(1) See "Tax Abatement" herein.

(2) Based on the City's 2000 Census of 7,459.

Source: City of Marshall, Michigan



# City of Marshall, Michigan

## Statistical Section (Unaudited) (Continued)

### Total SEV by Use and Class Fiscal Years Ended or Ending June 30, 2001 Through 2005

<i>Use</i>	<i>Fiscal Year Ended or Ending June 30,</i>				
	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>
Commercial	\$ 55,273,600	\$ 57,146,600	\$ 62,628,400	\$ 63,969,400	\$ 63,151,300
Industrial	64,024,400	61,884,447	69,576,000	65,714,600	66,300,600
Residential	124,322,500	129,012,300	134,042,300	136,921,400	143,387,400
Utility	1,819,850	2,072,900	1,963,400	1,886,600	1,845,300
	<u>\$ 245,440,350</u>	<u>\$ 250,116,247</u>	<u>\$ 268,210,100</u>	<u>\$ 268,492,000</u>	<u>\$ 274,684,600</u>

<i>Class</i>	<i>Fiscal Year Ended or Ending June 30,</i>				
	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>
Real Property	\$ 187,388,850	\$ 194,494,100	\$ 207,004,300	\$ 212,188,400	\$ 220,890,700
Personal Property	58,051,500	55,622,147	61,205,800	56,303,600	53,793,900
	<u>\$ 245,440,350</u>	<u>\$ 250,116,247</u>	<u>\$ 268,210,100</u>	<u>\$ 268,492,000</u>	<u>\$ 274,684,600</u>

Source: City of Marshall, Michigan

### Tax Abatement

The City's ad valorem taxable value does not include the value of certain facilities, which have temporarily been removed from the ad valorem tax roll pursuant to Act 198. The Act was designed to provide a stimulus in the form of significant tax incentives to industrial enterprises to renovate and expand aging facilities ("Rehab Properties") and to build new facilities ("New Properties"). Except as indicated below, under the provisions of the Act, a local governmental unit (i.e., a city, village or township) may establish plant rehabilitation districts and industrial development districts and offer industrial firms certain property tax incentives or abatements to encourage restoration or replacement of obsolete facilities and to attract new facilities to the area.

An industrial facilities exemption certificate granted under Act 198 entitles an eligible facility to exemption from ad valorem taxes for a period of up to 12 years. In lieu of ad valorem taxes, the eligible facility will pay an industrial facilities tax (the "IFT Tax"). For properties granted tax abatement under Act 198 there exists a separate tax roll referred to as the industrial facilities tax roll (the "IFT Tax Roll"). The IFT Tax for an obsolete facility which is being restored or replaced is determined in exactly the same manner as the ad valorem tax; the important difference being that the value of the property remains at the taxable value level prior to the improvements even though the restoration or replacement substantially increases the value of the facility. For a new facility the IFT Tax is also determined the same as the ad valorem tax but instead of using the total mills levied as ad valorem taxes, a lower millage rate is applied. For abatements granted prior to 1994, this millage rate equals 1/2 of all tax rates levied by other than the State and local school district for operating purposes plus 1/2 of the 1993 rate levied by the local school district for operating purposes. For abatements granted after 1993, this millage rate equals 1/2 of all tax rates levied by other than the State and local school district plus none, 1/2 or the entire State tax rate (as determined by the State Treasurer).

The City has established goals, objectives and procedures to provide the opportunity for industrial and commercial development and expansion. Since 1974, the City has approved a number of applications for local property tax relief for industrial firms. The SEV of properties that have been granted tax abatement under Act 198, removed from the ad valorem tax roll and placed on the IFT Tax Roll totaled \$24,628,100 for the fiscal year ending June 30, 2005. The IFT Taxes paid on these properties is equivalent to ad valorem taxes paid on \$12,266,677 of taxable value at the full tax rate (the "Equivalent Taxable Value"). Upon expiration of the industrial facilities exemption certificates, the current equalized valuation of the abated properties will return to the ad valorem tax roll as taxable value.

# City of Marshall, Michigan

## Statistical Section (Unaudited) (Continued)

### Maximum Operating Tax Rates Fiscal Year Ending June 30, 2005

<u>Millage Classification</u>	<u>Millage Authorized</u>	<u>Cumulative Millage Reduction Fraction</u>	<u>Maximum Allowable Millage</u>
Operating .....	20.0000	0.93937	18.7874
Recreation (1) .....	1.0000	0.93930	0.9393
Dial-A-Ride (1) .....	1.0000	0.93930	0.9393

(1) Voted.

Source: City of Marshall, Michigan

### Property Tax Rates Fiscal Years Ended or Ending June 30, 2000 Through 2004

<u>Levy July 1,</u>	<u>Fiscal Year Ended or Ending June 30,</u>	<u>Operating</u>	<u>Recreation</u>	<u>Dial-A-Ride</u>	<u>Total</u>
2000	2001	\$ 15.4629	\$ 0.8165	\$ 0.4840	16.7634
2001	2002	15.4629	0.8165	0.4840	16.7634
2002	2003	15.4629	0.8165	0.4840	16.7634
2003	2004	15.4629	0.8165	0.4840	16.7634
2004	2005	15.4629	0.8165	0.4840	16.7634

Source: City of Marshall, Michigan

# City of Marshall, Michigan

## Statistical Section (Unaudited) (Continued)

### Homestead (1) Property Tax Rates by Governmental Unit Fiscal Years Ended June 30, 2000 Through 2004

<i>Governmental Unit</i>	<i>Fiscal Year Ended June 30,</i>				
	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>
City of Marshall, Michigan .....	\$16.7634	\$16.7634	\$16.7634	\$16.7634	\$16.7634
Calhoun County .....	7.2120	7.2120	7.1961	6.6713	6.6513
State Education Levy .....	6.0000	6.0000	6.0000	6.0000	5.0000
Marshall Schools.....	2.9000	2.7300	5.6000	4.5982	5.5981
Calhoun County Intermediate Schools .....	6.0764	6.0764	6.0694	6.0674	6.2057
Kellogg Community College .....	3.7128	3.7128	3.7106	3.7106	3.7106
District Library.....	1.5780	1.5776	1.5018	1.4997	1.4597
<b>Total.....</b>	<b><u>\$44.2426</u></b>	<b><u>\$44.0722</u></b>	<b><u>\$46.8413</u></b>	<b><u>\$46.3106</u></b>	<b><u>\$45.3888</u></b>

### Non-Homestead (1) Property Tax Rates by Governmental Unit Fiscal Years Ended June 30, 2000 Through 2004

<i>Governmental Unit</i>	<i>Fiscal Year Ended June 30,</i>				
	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>
City of Marshall, Michigan .....	\$16.7634	\$16.7634	\$16.7634	\$16.7634	\$16.7634
Calhoun County .....	7.2120	7.2120	7.1961	6.6713	6.6513
State Education Levy .....	6.0000	6.0000	6.0000	6.0000	5.0000
Marshall Schools.....	20.6930	20.7300	23.6000	23.5982	23.5981
Calhoun County Intermediate Schools .....	6.0764	6.0764	6.0694	6.0674	6.2057
Kellogg Community College .....	3.7128	3.7128	3.7106	3.7106	3.7106
District Library.....	1.5780	1.5776	1.5018	1.4997	1.4597
<b>Total.....</b>	<b><u>\$62.0356</u></b>	<b><u>\$62.0722</u></b>	<b><u>\$64.8413</u></b>	<b><u>\$64.3106</u></b>	<b><u>\$63.3888</u></b>

- (1) *Homestead* means a dwelling or unit in a multiple-unit dwelling subject to ad valorem property taxes that is owned and occupied as a principal residence by the owner of the dwelling or unit. Homestead includes all unoccupied property classified as agricultural adjacent and contiguous to the home of the owner that is not leased or rented by the owner to another person if the gross receipts of the agricultural or horticultural operations, if any, exceed the household income of the owner. If the gross receipts of the agricultural or horticultural operations do not exceed the household income of the owner, the homestead includes only 5 acres adjacent and contiguous to the home of the owner. Homestead includes a life care facility registered under the living care disclosure act, Act No. 440 of the Public Acts of 1976, being sections 554.801 to 554.844 of the Michigan Compiled Laws. Homestead also includes property owned by a cooperative housing corporation and occupied as a principal residence by tenant stockholders. *Non-homestead* is property not included in the above definition.

Source: City of Marshall, Michigan

# City of Marshall, Michigan

## Statistical Section (Unaudited) (Continued)

### Property Tax Collections Fiscal Years Ended or Ending June 30, 2000 Through 2004

<i>July 1 Levy</i>	<i>Fiscal Year Ended or Ending June 30,</i>	<i>Tax Levy (1)</i>	<i>Collections to March 1 Following Levy</i>	<i>Percent Collected</i>
1999	2000	\$3,009,533	\$2,902,730	96.45%
2000	2001	3,045,648	2,942,431	96.61
2001	2002	3,016,160	2,923,061	96.91
2002	2003	3,247,979	3,143,005	96.77
2003	2004	3,247,035	3,128,893	96.36
2004	2005	3,167,354	(in process of collection)	

(1) City taxes only.

Source: City of Marshall, Michigan

### Profiles of the Ten Largest Taxpayers Fiscal Year Ending June 30, 2005

Reflected below are the City's ten largest property taxpayers, their principal product or service and respective Taxable Value for the fiscal year ending June 30, 2005.

<i><u>Taxpayer</u></i>	<i><u>Principal Product or Service</u></i>	<i><u>Total Taxable Value</u></i>	<i><u>Percent of Total(1)</u></i>
Automotive Industries (Lear).....	Auto Parts Manufacturer	\$9,931,339	4.33%
Eaton Corp.....	Auto Parts Manufacturer	9,482,056	4.14
Tenneco (Walker).....	Auto Parts Manufacturer	7,922,804	3.46
State Farm (2).....	Insurance Company	6,705,309	2.93
Autocam.....	Auto Parts Manufacturer	6,505,353	2.84
Joseph Campbell.....	Soup Products Manufacturer	5,490,845	2.39
Marshall Brass.....	Brass Fittings Manufacturer	3,906,792	1.70
Agree Limited (Kmart).....	Retail Sales	2,591,485	1.13
Sheridan-McClellan Apartments ....	Apartment Complexes	2,390,358	1.04
Bostik Inc.....	Adhesives Manufacturer	1,884,777	0.82
		<b><u>\$56,811,118</u></b>	<b>24.79%</b>

(1) Based on \$229,211,311 which is the City's Total Taxable Value for the fiscal year ended June 30, 2005. Includes the Equivalent Taxable Value of property granted tax abatement under Act 198. See "Tax Abatement" herein.

(2) In August 2004, State Farm announced the consolidation of certain operations, which included the closure of its Marshall facilities by December 31, 2005. The City has estimated General Fund reductions of \$38,000 as a result.

Source: City of Marshall, Michigan

# City of Marshall, Michigan

## Statistical Section (Unaudited) (Continued)

### Revenues from the State of Michigan Fiscal Years Ended or Ending June 30, 2000 Through 2005

	<i>Fiscal Year Ended or Ending June 30,</i>					
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004 (1)</u>	<u>2005 (2)</u>
Sales Tax.....	\$ 875,489	\$ 958,571	\$ 915,368	\$ 822,370	\$ 746,018	\$ 668,801
Liquor Licenses.....	<u>6,419</u>	<u>6,097</u>	<u>6,419</u>	<u>6,345</u>	<u>6,200</u>	<u>6,500</u>
<b>Total Revenues .....</b>	<b><u>\$ 881,908</u></b>	<b><u>\$ 964,668</u></b>	<b><u>\$ 921,787</u></b>	<b><u>\$ 828,715</u></b>	<b><u>\$ 752,218</u></b>	<b><u>\$ 675,301</u></b>

(1) As estimated.

(2) As budgeted.

Source: City of Marshall, Michigan

### Legal Debt Margin

Pursuant to the statutory and constitutional debt provisions set forth herein, the following table reflects the amount of additional debt the City may legally incur as of December 2, 2004.

Debt Limit (1) .....	\$ 27,468,460
Debt Outstanding .....	\$31,454,019
Less: Exempt Debt .....	<u>22,953,580</u>
<b>Legal Debt Margin .....</b>	<b><u>\$ 18,968,021</u></b>

(1) 10% of \$274,684,600, which is the City's Total SEV for the fiscal year ending June 30, 2005. Includes the SEV of property granted tax abatement under Act 198.

Source: Municipal Advisory Council of Michigan and the City of Marshall, Michigan.

# City of Marshall, Michigan

## Statistical Section (Unaudited) (Continued)

### Debt Statement

The following table reflects a breakdown of the City's direct and overlapping debt as of December 2, 2004. Direct debt that is shown as self-supporting is paid from sources other than the City's General Fund.

To the extent necessary, the City may levy taxes on all taxable property within its boundaries without limitation as to rate or amount to pay the principal of and interest due on the bonds in the following table are designated as Unlimited Tax ("UT"). However, the City's ability to levy tax to pay the debt service on the bonds that are designated as Limited Tax ("LT") is subject to applicable charter, statutory, and constitutional limitations.

<i>City Direct Debt</i>	<i>Gross</i>	<i>Self-Supporting</i>	<i>Net</i>
Share of County Issued Bonds:			
Dated September 1, 1999 (LT)	\$ 2,165,000	\$ 2,165,000	\$ -
Dated November 3, 1997 (LT)	2,740,000	2,740,000	-
Dated June 25, 1996 (LT)	1,205,000	1,205,000	-
	6,110,000	6,110,000	-
Share of South Central Power Agency:			
Dated November 21, 2002	7,485,600	7,485,600	-
Dated December 28, 2000	1,165,500	1,165,500	-
Dated December 1, 1994	2,012,400	2,012,400	-
Dated November 1, 1992	3,552,000	3,552,000	-
	14,215,500	14,215,500	-
Building Authority Bonds:			
Dated June 1, 2000 (LT)	3,045,000	3,045,000	-
Dated August 1, 1997 (UT)	800,000	800,000	-
	3,845,000	3,845,000	-
Electric Revenue Bonds -			
Dated June 1, 1999	995,000	995,000	-
Water and Sewer Bonds:			
Dated August 26, 1993	215,000	215,000	-
Dated September 27, 1989 (LT)	680,000	680,000	-
	895,000	895,000	-
Tax Increment Bonds:			
Dated June 1, 2002 (LT)	715,000	715,000	-
Dated January 1, 1993 (LT)	250,000	250,000	-
	965,000	965,000	-

# City of Marshall, Michigan

## Statistical Section (Unaudited) (Continued)

<i>City Direct Debt</i>	<i>Gross</i>	<i>Self-Supporting</i>	<i>Net</i>
Michigan Transportation Fund Bonds - Dated February 1, 1999 (LT)	\$ 670,000	\$ 670,000	\$ -
Capital Improvement Bonds - Dated August 24, 2004 (LT)	1,675,000	-	1,675,000
Installment Purchase Obligations:			
Contract dated March 1, 2004	55,000	55,000	-
Land contracted dated May 15, 2002	596,346	596,346	-
Contract dated August 3, 2000	195,000	195,000	-
Contract dated September 1, 1999	110,000	-	110,000
Contract dated January 5, 1996	15,000	15,000	-
State Farm Insurance Company	720,000	720,000	-
Stanton Note	392,173	274,093	118,080
	2,083,519	1,855,439	228,080
<b>Total</b>	<b>\$ 31,454,019</b>	<b>\$ 29,550,939</b>	<b>\$ 1,903,080</b>
Per Capita Net City Direct Debt (1)			\$ 255.14
Percent of Net Direct Debt to Total SEV (2)			0.69%
<i>Overlapping Debt (3)</i>	<i>Gross</i>	<i>City Share as Percent of Gross</i>	<i>Net</i>
Calhoun County	\$ 720,000	6.95%	\$ 50,040
Marshall District Library	1,840,000	49.43%	909,512
Kellogg Community College	14,550,000	6.97%	1,014,135
Marshall School District	22,605,000	53.11%	12,005,516
<b>Totals</b>	<b>\$ 39,715,000</b>		<b>\$ 13,979,203</b>
Per Capita Net Overlapping Debt (1)			\$ 1,874.14
Percent of Net Overlapping Debt to Total SEV (2)			5.09%
Per Capita Net Direct and Overlapping Debt (1)			\$ 2,129.28
Percent of Net Direct and Overlapping Debt to Total SEV (2)			5.78%

(1) Based on the City's 2000 Census population of 7,459.

(2) Based on \$274,684,600, which is the City's Total SEV for the fiscal year ending June 30, 2005. Includes the SEV of property granted tax abatement under Act 198.

(3) Overlapping debt is the portion of another tax unit's debt for which property taxpayers of the City are liable in addition to debt issued by the City.

Source: Municipal Advisory Council of Michigan and the City of Marshall

# City of Marshall, Michigan

## Statistical Section (Unaudited) (Continued)

### Pension Plans

All full-time employees of the City are participants in a defined benefit plan administered by the Michigan Municipal Employee's Retirement System. The City's contribution to the plan, expressed as a percentage of active member payroll, covers current service costs, unrealized investment income on unfunded accrued liabilities (prior service costs) and the amortization of unfunded accrued liabilities over twenty-five years. Employee groups contribute a percentage of their gross wages as follows: Dispatch/General/Non-Union/Department of Public Service/Department of Public Works - 5.82%; Fire - 10.39%; Police Patrol - 8.79%; Police Supervisory Division - 6.53%; and Police Dispatch - 9.03%. Gabriel, Roeder, Smith and Company of Detroit, Detroit, Michigan, is the actuary for the plan.

### Michigan Municipal Employees Retirement System Five Year History\*

<i><u>Valuation as of December 31</u></i>	<i><u>Valuation of Assets</u></i>	<i><u>Accrued Liabilities</u></i>	<i><u>Funded Percent</u></i>
1999	\$17,067,791	\$12,688,726	135.40%
2000	18,463,328	14,468,272	127.60
2001	19,520,120	15,686,394	124.44
2002	19,720,188	16,573,087	119.00
2003	20,517,832	19,935,535	103.00

\* Complies with the disclosure requirements of the Government Accounting Standards Board Statement No. 5. Amounts rounded to nearest thousands.

Source: City of Marshall, Michigan

### Labor Contracts

Approximately 63.92% of the City's 97 full time employees are currently represented by labor organizations. The following table illustrates the various labor organizations, which represent City employees, the number of members and the expiration dates of the present contracts.

General City/Teamsters Local 214.....	4	June 30, 2004
DPW/Teamsters Local 214 .....	8	June 30, 2006
International Fire Fighters Association .....	8	June 30, 2005
Police Patrol Division/POLC .....	8	June 30, 2005
Police Supervisory Division/POLC.....	5	June 30, 2005
Police Dispatch/Meter/POLC.....	5	June 30, 2002*
DPS/Teamsters Local 214 .....	24	June 30, 2005
Non-union Employees.....	<u>35</u>	-----
<b>Total City Employees .....</b>	<b><u>97</u></b>	

\*In process of negotiation.

Source: City of Marshall, Michigan



# City of Marshall, Michigan

## Statistical Section (Unaudited) (Continued)

### Profile of Major Employers

The following table reflects the diversity of the major employers in the area by the products manufactured or services performed and the approximate number of employees.

<u>Company</u>	<u>Principal Product or Service</u>	<u>Approximate Number of Employees</u>
Oaklawn Hospital.....	Health Care Services	644
State Farm Insurance.....	Insurance Company	569
Lear Corporation.....	Auto Parts Manufacturer	530
Eaton Torque Control Products Div.....	Auto Parts Manufacturer	467
Tenneco Automotive.....	Auto Parts Manufacturer	427
Marshall Public Schools.....	Public School System	185
Joseph Campbell Company.....	Canned Goods	167
Marshall Brass Company.....	Brass Fittings Manufacturer	160
Progressive Dynamics, Inc.....	Electronic Equipment Manufacturer	104
Autocam Corporation.....	Auto Parts Manufacturer	99
City of Marshall, Michigan.....	Municipal Government	97

Source: City of Marshall, Michigan

### Employment

Reflected below are the unadjusted yearly average unemployment statistics for the City and the State for the calendar year 1999 through 2004.

<u>City of Marshall, Michigan</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004 (2)</u>
Employed .....	3,700	3,550	3,425	3,350	3,375	3,400
Unemployed .....	100	100	125	150	175	175
<b>Labor Force .....</b>	<b><u>3,825</u></b>	<b><u>3,650</u></b>	<b><u>3,575</u></b>	<b><u>3,500</u></b>	<b><u>3,550</u></b>	<b><u>3,575</u></b>
Unemployed as Percent of Labor Force (1).....	2.8%	3.0%	3.8%	4.4%	5.0%	4.7%
<u>State of Michigan</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004 (2)</u>
Employed .....	4,950,000	4,987,000	4,886,000	4,691,000	4,674,000	4,691,000
Unemployed .....	194,000	183,000	271,000	310,000	368,000	350,000
<b>Labor Force .....</b>	<b><u>5,144,000</u></b>	<b><u>5,170,000</u></b>	<b><u>5,157,000</u></b>	<b><u>5,001,000</u></b>	<b><u>5,042,000</u></b>	<b><u>5,041,000</u></b>
Unemployed as Percent of Labor Force (1).....	3.8%	3.5%	5.3%	6.2%	7.3%	6.9%

(1) Totals and percentages may differ due to rounding by the Office of Labor Market Information – Michigan Department of Career Development.

(2) Average through June 2004.

Source: Office of Labor Market Information – Michigan Department of Career Development

<i>Description</i>	<i>July</i>	<i>August</i>	<i>September</i>	<i>October</i>	<i>November</i>
<b>Residential - Electric:</b>					
Number of bills	3,545	3,581	3,544	3,585	3,591
Energy sales - kilowatt	\$ 2,182,881	\$ 2,166,889	\$ 2,390,753	\$ 1,795,355	\$ 1,664,296
Kilowatt per bill	616	605	675	501	463
Power adder	44,529	44,638	49,249	35,197	33,222
Amount billed	\$ 237,809	\$ 236,819	\$ 259,483	\$ 197,055	\$ 184,383
Sentinel light charges	476	477	495	504	495
Adjusted - amount billed	\$ 237,334	\$ 236,342	\$ 258,988	\$ 196,551	\$ 183,888
Amount per kilowatt	0.10872	0.10907	0.10833	0.10948	0.11049
<b>Residential Electric Heat - Summer/Winter:</b>					
Number of bills	164	171	170	160	172
Energy Block - one kilowatt	\$ 61,230	\$ 61,828	\$ 64,832	\$ 68,080	\$ 79,000
Energy Block - two kilowatts	\$ 13,020	\$ 13,680	\$ 17,040	\$ 13,210	\$ 20,460
Kilowatt per bill	453	442	482	508	578
Power adder	1,515	1,555	1,687	1,593	1,983
Amount billed	\$ 8,268	\$ 8,440	\$ 9,086	\$ 8,619	\$ 10,080
Sentinel light charges	9	9	9	9	9
Adjusted - amount billed	\$ 8,259	\$ 8,431	\$ 9,077	\$ 8,610	\$ 10,071
Amount per kilowatt	0.11123	0.11166	0.11087	0.10592	0.10126
<b>Residential - Electric 2X Minimum:</b>					
Number of bills	32	32	31	32	32
Energy sales - kilowatt	\$ 30,710	\$ 31,200	\$ 30,320	\$ 29,630	\$ 23,290
Kilowatt per bill	960	975	978	926	728
Power adder	626	643	625	581	465
Amount billed	\$ 3,395	\$ 3,451	\$ 3,325	\$ 3,261	\$ 2,628
Sentinel light charges	18	18	18	18	18
Adjusted - amount billed	\$ 3,377	\$ 3,433	\$ 3,307	\$ 3,243	\$ 2,610
Amount per kilowatt	0.10997	0.11005	0.10906	0.10946	0.11208
<b>Residential - Electric 3X Minimum:</b>					
Number of bills	1	1	2	2	2
Energy sales - kilowatt	\$ 580	\$ 550	\$ 940	\$ 1,230	\$ 1,430
Kilowatt per bill	580	550	470	615	715
Power adder	12	11	19	24	29
Amount billed	\$ 71	\$ 68	\$ 121	\$ 149	\$ 170
Sentinel light charges	-	-	-	-	-
Adjusted - amount billed	\$ 71	\$ 68	\$ 121	\$ 149	\$ 170
Amount per kilowatt	0.12310	0.12445	0.12826	0.12111	0.11872

# City of Marshall, Michigan

## Monthly Billing Data (Unaudited)

<i>December</i>	<i>January</i>	<i>February</i>	<i>March</i>	<i>April</i>	<i>May</i>	<i>June</i>	<i>Year-to-Date Total</i>
3,596	3,573	3,576	3,587	3,583	3,577	3,593	42,931
\$ 2,193,616	\$ 2,347,598	\$ 2,163,867	\$ 1,832,872	\$ 1,772,237	\$ 1,808,405	\$ 1,975,125	\$ 24,293,894
610	657	605	511	495	506	550	566
43,655	49,607	46,959	41,426	42,178	43,031	47,981	521,672
\$ 237,980	\$ 256,436	\$ 238,816	\$ 206,287	\$ 202,113	\$ 205,874	\$ 224,483	\$ 2,687,538
495	504	471	465	465	456	456	5,759
\$ 237,485	\$ 255,932	\$ 238,345	\$ 205,822	\$ 201,648	\$ 205,418	\$ 224,027	\$ 2,681,780
0.10826	0.10902	0.11015	0.11229	0.11378	0.11359	0.11342	0.11039
176	169	175	173	166	173	170	2,039
\$ 92,510	\$ 93,270	\$ 99,430	\$ 90,430	\$ 83,560	\$ 68,000	\$ 62,580	\$ 924,750
\$ 60,350	\$ 86,090	\$ 124,780	\$ 58,960	\$ 35,040	\$ 14,580	\$ 12,840	\$ 470,050
869	1,061	1,281	864	714	477	444	454
3,042	3,791	4,865	3,376	2,823	1,965	1,833	30,029
\$ 13,788	\$ 15,617	\$ 18,789	\$ 13,880	\$ 11,765	\$ 8,832	\$ 8,694	\$ 135,859
9	9	9	9	9	9	9	108
\$ 13,779	\$ 15,608	\$ 18,780	\$ 13,871	\$ 11,756	\$ 8,823	\$ 8,685	\$ 135,751
0.09014	0.08702	0.08376	0.09285	0.09912	0.10684	0.11515	0.09733
31	30	29	30	30	31	33	373
\$ 29,470	\$ 32,840	\$ 29,590	\$ 24,820	\$ 24,860	\$ 23,670	\$ 27,670	\$ 338,070
951	1,095	1,020	827	829	764	838	906
586	696	642	561	592	563	672	7,252
\$ 3,254	\$ 3,622	\$ 3,303	\$ 2,833	\$ 2,867	\$ 2,749	\$ 3,201	\$ 37,890
18	18	18	18	18	18	18	216
\$ 3,236	\$ 3,604	\$ 3,285	\$ 2,815	\$ 2,849	\$ 2,731	\$ 3,183	\$ 37,674
0.10981	0.10974	0.11102	0.11341	0.11459	0.11540	0.11504	0.11144
2	2	2	2	2	2	2	22
\$ 1,600	\$ 1,650	\$ 1,420	\$ 1,540	\$ 1,370	\$ 1,240	\$ 1,430	\$ 14,980
800	825	710	770	685	620	715	681
32	35	31	35	33	30	35	324
\$ 187	\$ 194	\$ 171	\$ 185	\$ 169	\$ 155	\$ 176	\$ 1,816
-	-	-	-	-	-	-	-
\$ 187	\$ 194	\$ 171	\$ 185	\$ 169	\$ 155	\$ 176	\$ 1,816
0.11681	0.11741	0.12054	0.12009	0.12327	0.12515	0.12302	0.12122

<i>Description</i>	<i>July</i>	<i>August</i>	<i>September</i>	<i>October</i>	<i>November</i>
<b>Commercial Industrial Service:</b>					
Number of bills	47	47	48	46	46
Energy sales - kilowatt	\$ 1,180,233	\$ 990,298	\$ 1,353,571	\$ 794,318	\$ 1,018,057
Kilowatt	2,693	2,627	3,009	2,686	2,770
Kilowatt per bill	25,111	21,070	28,199	17,268	22,132
Power adder	24,077	30,400	27,884	15,569	20,355
Amount billed	\$ 106,445	\$ 93,470	\$ 121,451	\$ 80,381	\$ 96,241
Sentinel light charges	474	474	474	474	534
Adjusted - amount billed	\$ 105,971	\$ 92,996	\$ 120,977	\$ 79,907	\$ 95,707
Amount per kilowatt	0.08979	0.09391	0.08938	0.10060	0.09401
<b>Commercial Industrial Service B1 - Summer/Winter:</b>					
Number of bills	8	8	8	8	8
Kilowatt - summer	23,584	20,695	26,572	-	-
Kilowatt - winter	-	-	-	23,970	28,849
Kilowatt per bill	2,948	2,587	3,322	2,996	3,606
Power adder	481	426	547	470	575
Amount billed	\$ 2,781	\$ 2,453	\$ 3,129	\$ 1,521	\$ 1,825
Sentinel light charges	-	-	-	-	-
Adjusted - amount billed	\$ 2,781	\$ 2,453	\$ 3,129	\$ 1,521	\$ 1,825
Amount per kilowatt	0.11791	0.11855	0.11776	0.06347	0.06327
<b>Commercial Industrial Service B:</b>					
Number of bills	586	560	555	556	553
Energy sales - kilowatt	\$ 1,703,553	\$ 1,136,340	\$ 1,713,734	\$ 1,150,333	\$ 1,188,788
Kilowatt per bill	2,907	2,029	3,088	2,069	2,150
Power adder	34,752	23,438	35,303	22,548	23,710
Amount billed	\$ 203,137	\$ 138,273	\$ 204,528	\$ 138,570	\$ 143,138
Sentinel light charges	2,127	2,109	2,115	2,064	2,055
Adjusted - amount billed	\$ 201,010	\$ 136,164	\$ 202,413	\$ 136,506	\$ 141,083
Amount per kilowatt	0.11799	0.11983	0.11811	0.11867	0.11868
<b>Commercial Industrial Service SVC "B" Double Minimum:</b>					
Number of bills	9	9	9	10	9
Energy sales - kilowatt	\$ 43,190	\$ 34,430	\$ 37,920	\$ 30,010	\$ 33,430
Kilowatt per bill	4,799	3,826	4,213	3,001	3,714
Power adder	881	709	781	588	669
Amount billed	\$ 5,177	\$ 4,179	\$ 4,580	\$ 3,719	\$ 4,044
Sentinel light charges	54	54	54	114	54
Adjusted - amount billed	\$ 5,123	\$ 4,125	\$ 4,526	\$ 3,605	\$ 3,990
Amount per kilowatt	0.11863	0.11980	0.11936	0.12012	0.11934

# City of Marshall, Michigan

## Monthly Billing Data (Unaudited) (Continued)

<i>December</i>	<i>January</i>	<i>February</i>	<i>March</i>	<i>April</i>	<i>May</i>	<i>June</i>	<i>Year-to-Date Total</i>
46	47	47	46	47	47	47	561
\$ 943,234	\$ 1,063,803	\$ 1,059,529	\$ 925,990	\$ 1,071,292	\$ 990,887	\$ 969,373	\$ 12,360,585
2,686	2,630	2,658	2,718	2,693	2,965	3,012	33,146
20,505	22,634	22,543	20,130	22,793	21,083	20,625	22,033
18,770	22,636	22,992	20,927	25,497	23,418	23,556	276,081
\$ 90,318	\$ 99,028	\$ 99,469	\$ 91,931	\$ 103,020	\$ 98,804	\$ 99,825	\$ 1,180,383
534	543	543	543	543	543	543	6,222
\$ 89,784	\$ 98,485	\$ 98,926	\$ 91,388	\$ 102,477	\$ 98,261	\$ 99,282	\$ 1,174,161
0.09519	0.09258	0.09337	0.09869	0.09566	0.09916	0.10242	0.09499
8	8	8	8	8	9	9	98
-	-	-	-	-	-	24,383	95,234
39,443	53,957	65,963	43,639	40,304	28,405	-	324,530
4,930	6,745	8,245	5,455	5,038	3,156	2,709	4,283
785	1,141	1,431	986	959	676	593	9,071
\$ 2,468	\$ 3,416	\$ 4,196	\$ 2,840	\$ 2,686	\$ 1,918	\$ 2,977	\$ 32,211
-	-	-	-	-	-	-	-
\$ 2,468	\$ 3,416	\$ 4,196	\$ 2,840	\$ 2,686	\$ 1,918	\$ 2,977	\$ 32,211
0.06256	0.06331	0.06361	0.06508	0.06665	0.06751	0.12209	0.07674
550	546	549	547	552	562	569	6,685
\$ 1,285,175	\$ 1,372,186	\$ 1,378,410	\$ 1,203,693	\$ 1,277,108	\$ 1,238,170	\$ 1,269,743	\$ 15,917,233
2,337	2,513	2,511	2,201	2,314	2,203	2,232	2,381
25,575	29,088	29,912	27,203	30,394	29,468	30,857	342,249
\$ 154,257	\$ 166,002	\$ 167,459	\$ 148,107	\$ 158,430	\$ 153,787	\$ 158,301	\$ 1,933,987
2,055	2,055	2,055	2,040	2,079	2,010	2,100	24,864
\$ 152,202	\$ 163,947	\$ 165,404	\$ 146,067	\$ 156,351	\$ 151,777	\$ 156,201	\$ 1,909,123
0.11843	0.11948	0.12000	0.12135	0.12243	0.12258	0.12302	0.11994
9	9	9	9	9	9	9	109
\$ 29,480	\$ 34,100	\$ 44,198	\$ 35,351	\$ 32,892	\$ 39,241	\$ 35,194	\$ 429,436
3,276	3,789	4,911	3,928	3,655	4,360	3,910	3,940
587	726	959	799	783	934	855	9,271
\$ 3,589	\$ 4,164	\$ 5,351	\$ 4,355	\$ 4,107	\$ 4,858	\$ 4,397	\$ 52,519
54	54	54	54	54	54	54	708
\$ 3,535	\$ 4,110	\$ 5,297	\$ 4,301	\$ 4,053	\$ 4,804	\$ 4,343	\$ 51,811
0.11991	0.12053	0.11984	0.12167	0.12322	0.12241	0.12339	0.12065

<i>Description</i>	<i>July</i>	<i>August</i>	<i>September</i>	<i>October</i>	<i>November</i>
<b>Commercial Industrial Service SVC "B" 3X Minimum:</b>					
Number of bills	2	2	2	2	2
Energy sales - kilowatt	\$ 6,040	\$ 4,400	\$ 8,900	\$ 3,550	\$ 6,160
Kilowatt per bill	3,020	2,200	4,450	1,775	3,080
Power adder	123	91	183	70	123
Amount billed	\$ 766	\$ 579	\$ 1,097	\$ 478	\$ 778
Sentinel light charges	18	18	18	18	18
Adjusted - amount billed	\$ 748	\$ 561	\$ 1,079	\$ 460	\$ 760
Amount per kilowatt	0.12392	0.12752	0.12119	0.12952	0.12334
<b>Industrial Primary:</b>					
Number of bills	15	15	14	14	14
Energy sales - kilowatt	\$ 3,493,720	\$ 2,885,380	\$ 4,036,260	\$ 2,272,764	\$ 3,138,899
Kilowatt	7,222	7,262	7,604	6,501	6,653
Kilowatt per bill	232,915	192,359	288,304	162,340	224,207
Power adder	71,272	59,439	83,147	44,546	62,778
Amount billed	\$ 272,319	\$ 237,674	\$ 307,936	\$ 191,863	\$ 244,515
Sentinel light charges	624	624	135	135	135
Adjusted - amount billed	\$ 271,695	\$ 237,050	\$ 307,801	\$ 191,728	\$ 244,380
Amount per kilowatt	0.07777	0.08216	0.07626	0.08436	0.07786
<b>Industrial Primary D2:</b>					
Number of bills	4	4	4	4	4
Energy sales - kilowatt	\$ 1,951,440	\$ 1,559,520	\$ 2,626,380	\$ 1,481,580	\$ 2,301,540
Kilowatt	4,127	3,861	4,411	4,241	4,246
Kilowatt per bill	487,860	389,880	656,595	370,395	575,385
Power adder	39,809	32,126	54,103	29,039	46,031
Amount billed	\$ 152,700	\$ 127,604	\$ 195,353	\$ 125,085	\$ 173,363
Sentinel light charges	75	75	75	75	75
Adjusted - amount billed	\$ 152,625	\$ 127,529	\$ 195,278	\$ 125,010	\$ 173,288
Amount per kilowatt	0.07821	0.08177	0.07435	0.08438	0.07529
<b>Economic Development:</b>					
Number of bills	2	2	2	3	3
Energy sales - kilowatt	\$ 127,200	\$ 141,600	\$ 348,800	\$ 225,520	\$ 321,520
Kilowatt	408	456	859	1,050	847
Kilowatt per bill	63,600	70,800	174,400	75,173	107,173
Power adder	2,595	2,917	7,185	4,420	6,430
Amount billed	\$ 9,279	\$ 10,366	\$ 25,871	\$ 19,299	\$ 24,021
Sentinel light charges	-	-	489	489	489
Adjusted - amount billed	\$ 9,279	\$ 10,366	\$ 25,382	\$ 18,810	\$ 23,532
Amount per kilowatt	0.07295	0.07321	0.07277	0.08341	0.07319

# City of Marshall, Michigan

## Monthly Billing Data (Unaudited) (Continued)

<i>December</i>	<i>January</i>	<i>February</i>	<i>March</i>	<i>April</i>	<i>May</i>	<i>June</i>	<i>Year-to-Date Total</i>
2	2	2	2	2	2	2	24
\$ 7,320	\$ 7,540	\$ 9,116	\$ 7,186	\$ 8,036	\$ 6,711	\$ 5,637	\$ 80,596
3,660	3,770	4,558	3,593	4,018	3,356	2,819	3,358
146	161	198	162	191	160	137	1,744
\$ 910	\$ 945	\$ 1,131	\$ 914	\$ 1,023	\$ 866	\$ 742	\$ 10,230
18	18	18	18	18	18	18	216
\$ 892	\$ 927	\$ 1,113	\$ 896	\$ 1,005	\$ 848	\$ 724	\$ 10,014
0.12183	0.12301	0.12214	0.12466	0.12505	0.12641	0.12847	0.12424
14	14	14	14	14	14	14	170
\$ 2,618,773	\$ 2,679,564	\$ 2,927,429	\$ 2,705,633	\$ 3,077,519	\$ 2,739,431	\$ 2,881,087	\$ 35,456,459
6,285	5,966	6,035	6,138	6,261	6,746	7,281	79,953
187,055	191,397	209,102	193,260	219,823	195,674	205,792	208,567
52,114	57,075	63,525	61,157	73,245	65,198	70,010	763,507
\$ 210,595	\$ 214,900	\$ 231,439	\$ 221,597	\$ 248,988	\$ 232,579	\$ 247,774	\$ 2,862,179
135	135	135	135	135	135	135	2,598
\$ 210,460	\$ 214,765	\$ 231,304	\$ 221,462	\$ 248,853	\$ 232,444	\$ 247,639	\$ 2,859,581
0.08037	0.08015	0.07901	0.08185	0.08086	0.08485	0.08595	0.08065
4	4	4	4	4	4	4	48
\$ 1,812,300	\$ 1,347,000	\$ 2,103,000	\$ 1,789,080	\$ 1,856,040	\$ 1,826,400	\$ 1,817,640	\$ 22,471,920
4,123	3,978	4,015	4,002	4,057	3,933	4,112	49,105
453,075	336,750	525,750	447,270	464,010	456,600	454,410	468,165
36,065	28,691	45,635	40,433	44,174	43,468	44,169	483,744
\$ 143,613	\$ 117,163	\$ 163,258	\$ 145,968	\$ 152,775	\$ 149,783	\$ 151,815	\$ 1,798,480
75	75	75	75	75	75	75	900
\$ 143,538	\$ 117,088	\$ 163,183	\$ 145,893	\$ 152,700	\$ 149,708	\$ 151,740	\$ 1,797,580
0.07920	0.08692	0.07760	0.08155	0.08227	0.08197	0.08348	0.07999
3	3	3	3	3	3	3	33
\$ 251,200	\$ 294,000	\$ 340,000	\$ 295,360	\$ 330,640	\$ 302,720	\$ 279,760	\$ 3,258,320
830	866	862	781	943	808	1,014	9,724
83,733	98,000	113,333	98,453	110,213	100,907	93,253	98,737
4,999	6,262	7,378	6,675	7,869	7,205	6,798	70,734
\$ 19,832	\$ 22,890	\$ 25,744	\$ 22,960	\$ 26,253	\$ 24,828	\$ 23,574	\$ 254,918
489	489	489	489	489	489	489	4,890
\$ 19,343	\$ 22,401	\$ 25,255	\$ 22,471	\$ 25,764	\$ 24,339	\$ 23,085	\$ 250,028
0.07700	0.07619	0.07428	0.07608	0.07792	0.08040	0.08252	0.07674

<i>Description</i>	<i>July</i>	<i>August</i>	<i>September</i>	<i>October</i>	<i>November</i>
<b>LT Only (unmetered):</b>					
Number of bills	N/A	N/A	N/A	N/A	N/A
Energy sales - kilowatt	N/A	N/A	N/A	N/A	N/A
Kilowatt per bill	N/A	N/A	N/A	N/A	N/A
Amount billed	\$ 4,977	\$ 4,977	\$ 5,035	\$ 5,035	\$ 5,044
<b>Residential - Life Support (RLS):</b>					
Number of bills	42	32	24	17	18
Energy sales - kilowatt	\$ 28,050	\$ 22,530	\$ 20,580	\$ 12,520	\$ 11,510
Kilowatt per bill	668	704	858	736	639
Power adder	572	464	424	245	230
Amount billed	\$ 2,755	\$ 2,203	\$ 1,991	\$ 1,209	\$ 1,125
Amount per kilowatt	0.09820	0.09779	0.09676	0.09654	0.09776
<b>Miscellaneous:</b>					
Number of bills	-	-	-	-	-
Amount billed	\$ 3,875	\$ 3,858	\$ 3,882	\$ 3,900	\$ 3,882
<b>Totals:</b>					
Number of bills	4,457	4,464	4,413	4,439	4,454
Energy sales - kilowatt	\$ 10,845,431	\$ 9,069,340	\$ 12,676,602	\$ 7,902,070	\$ 9,837,229
Kilowatt	14,451	14,205	15,884	14,478	14,515
Kilowatt per bill	2,433	2,032	2,873	1,780	2,209
Power adder	221,245	196,858	261,138	154,890	196,601
Amount billed	\$ 1,009,880	\$ 870,559	\$ 1,142,987	\$ 776,245	\$ 891,355
All unmetered lights	8,852	8,835	8,917	8,935	8,926
Adjusted - amount billed	\$ 1,001,028	\$ 861,724	\$ 1,134,070	\$ 767,310	\$ 882,429
Amount per kilowatt	0.09230	0.09502	0.08946	0.09710	0.08970



# City of Marshall, Michigan

## Monthly Billing Data (Unaudited) (Continued)

<i>December</i>	<i>January</i>	<i>February</i>	<i>March</i>	<i>April</i>	<i>May</i>	<i>June</i>	<i>Year-to-Date Total</i>
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
\$ 5,044	\$ 5,044	\$ 5,044	\$ 5,059	\$ 5,059	\$ 5,059	\$ 5,059	\$ 60,435
20	18	17	16	16	18	18	256
\$ 16,170	\$ 13,940	\$ 12,740	\$ 10,130	\$ 10,070	\$ 11,890	\$ 12,330	\$ 182,460
809	774	749	633	629	661	685	713
322	296	276	229	240	283	300	3,881
\$ 1,562	\$ 1,365	\$ 1,255	\$ 1,018	\$ 1,024	\$ 1,205	\$ 1,253	\$ 17,966
0.09660	0.09792	0.09854	0.10044	0.10168	0.10138	0.10166	0.09846
-	-	-	-	-	-	-	-
\$ 3,882	\$ 3,900	\$ 3,867	\$ 3,846	\$ 3,885	\$ 3,807	\$ 3,897	\$ 46,481
4,461	4,425	4,435	4,441	4,436	4,451	4,473	53,349
\$ 9,380,641	\$ 9,427,538	\$ 10,359,472	\$ 9,024,684	\$ 9,620,968	\$ 9,099,750	\$ 9,374,792	\$ 116,618,517
13,924	13,439	13,571	13,638	13,954	14,452	15,418	171,927
2,103	2,131	2,336	2,032	2,169	2,044	2,096	2,186
186,677	200,205	224,804	203,971	228,977	216,401	227,795	2,519,560
\$ 887,396	\$ 910,785	\$ 965,425	\$ 867,932	\$ 920,279	\$ 891,298	\$ 932,270	\$ 11,066,411
8,926	8,944	8,911	8,905	8,944	8,866	8,956	106,916
\$ 878,470	\$ 901,842	\$ 956,514	\$ 859,027	\$ 911,335	\$ 882,432	\$ 923,315	\$ 10,959,495
0.09365	0.09566	0.09233	0.09519	0.09472	0.09697	0.09849	0.09398

# City of Marshall, Michigan

## Monthly Billing Data (Unaudited) (Concluded)

<i>Average by Rate Class (Monthly</i>	<i>Residential</i>	<i>Light Industrial and Commercial</i>	<i>Heavy Commercial and Industrial</i>	<i>Econ Contracts</i>	<i>Total</i>
Number of bills	3,802	623	18	3	4,446
Energy sales - kilowatt	\$ 2,185,350	\$ 2,433,968	\$ 271,527	\$ 271,527	\$ 9,718,210
Kilowatt	N/A	2,762	10,755	810	14,327
Kilowatt per bill	575	3,907	268,187	90,509	2,186
Power adder	46,930	53,201	103,938	5,895	209,964
Amount billed	\$ 240,089	\$ 267,444	\$ 388,388	\$ 21,243	\$ 917,165
Amount per kilowatt	0.10986	0.10988	0.08046	0.07824	0.09438

**Report on Internal Control Over  
Financial Reporting and on  
Compliance and Other Matters  
Based on an Audit of Financial  
Statements Performed in Accordance  
with *Government Auditing Standards***

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Accountants and Consultants

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## **Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Honorable Mayor and  
Members of the City Council and City Manager  
City of Marshall, Michigan

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Marshall, Michigan (the City), as of and for the year ended June 30, 2004, and have issued our report thereon dated October 15, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City in a separate letter dated October 15, 2004.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

This report is intended solely for the information and use of the City Council, management, and others within the City and is not intended to be and should not be used by anyone other than these specified parties.

*BDO Seidman, LLP*

Certified Public Accountants

October 15, 2004



**BDO Seidman, LLP**  
Accountants and Consultants

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October 15, 2004

City Council, City Manager, and Finance Director  
City of Marshall  
323 West Michigan Avenue  
Marshall, Michigan 49068

Members of Council, City Manager, and Finance Director:

During the course of our audit of the financial statements of the City of Marshall (the City), for the year ended June 30, 2004, we observed the City's significant accounting policies, and certain business, financial, and administrative practices. In planning and performing our audit of the financial statements, we considered the internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. As a result of our observations, we noted the following:

#### **Separation of Duties**

During our review of internal controls of accounts payable and payroll, it was noted that one employee performs the following duties: entering data, posting journal entries, stamping the authorized signature on disbursements, and performing bank reconciliations. In the accounts payable and payroll functions, the employee responsible for posting detail to the general ledger should not be able to sign or stamp check disbursements or reconcile the bank statements. While there are certain mitigating controls in place, we recommend that the City reevaluate job responsibilities to separate these duties.

#### **Payroll**

In accordance with Statement on Auditing Standards No. 99, we performed additional internal control procedures over payroll. A detailed review of payroll reports can reduce risks of misappropriation of City assets through payroll. We recommend that Departmental Managers receive summary reports listing employees in their department, hours worked, overtime, etc. along with year-to-date totals. Managers should compare these detailed reports to budgeted amounts to ensure proper payroll amounts are recorded.

#### **Year-End Financial Statements**

In prior years, the City maintained the majority of its financial records on the cash basis throughout the year and we would assist with adjusting to accrual basis as well as adjusting various other accounts. During the audit of June 30, 2003 and 2002, we made approximately 115 and 45 audit adjustments, respectively. The majority of these adjustments were made to inventory, transfers, accruals, and debt.

During the audit of June 30, 2004, we made approximately 54 audit adjustments. The majority of these adjustments were made to capital assets, depreciation, transfers, accruals, and debt. The decrease in audit adjustments was due to better staffing in 2004. Management should continue monitoring monthly reconciliation procedures in order to minimize audit adjustments. Calculating and recording all adjustments during the audit significantly lengthens the time to complete the audit resulting in additional cost to the City. In addition, the true financial condition of the City is not known until after the audit.



### **Fund Balance for the General Fund**

At June 30, 2004, the City's General Fund Undesignated Fund Balance stands at \$893,047 or 19% of General Fund expenditures. We compliment management on maintaining an undesignated fund balance within the recommended industry range of 10% to 15%. Management should continue monitoring expenditures in order to maintain a range of 10% to 15%.

### **Net Assets for the Electric and Water Funds**

At June 30, 2004, the City's Electric Fund experienced net income of \$709,878. The unrestricted net assets stand at \$3,397,099 or 32% of Electric Fund expenses and transfers. At June 30, 2004, the City's Water Fund experienced net income of \$305,131. The unrestricted net assets stand at \$609,997 or 46% of Water Fund expenses and transfers. We, again, compliment management on improving the financial performance of the two funds and to continue monitoring performance.

### **Federal Awards**

The City spent approximately \$1,771,038 in federal awards during the fiscal year ended June 30, 2003. For June 30, 2004, the City spent \$440,000. Due to the significance of federal funding, as well as the reporting requirements, it is important to closely monitor and properly record the revenue and expenditures associated with each of the grants. This process is quite time consuming and may have added to the lack of time to devote to year-end adjustments. Management might consider reviewing job responsibilities in order to assure adequate time is available to accomplish required tasks.

### **New Pronouncements**

#### **Governmental Accounting Standards Board (GASB) Statement No. 43 and No. 45**

GASB has issued Statements No. 43 and 45, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. These statements address how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other non-pension benefits provided to retirees (collectively referred to as other postemployment benefits, or OPEB). OPEB generally refers to health insurance and dental, vision, prescription, or other healthcare benefits. These statements address how governments will be required to report information about the nature and size of their long-term financial obligations and commitments related to OPEB. GASB believes pension benefits and OPEB are a part of the compensation that employees earn each year, even though these benefits are not received until after employment has ended. Therefore, the cost of these future benefits is a part of the cost of providing public services today. However, most governments report their cash outlays for OPEB in a given year, rather than the cost to the employer of OPEB earned by employees in that year; these two amounts may be vastly different. In the absence of rules similar to those the GASB enacted for pensions, most governments do not accurately report the cost of the OPEB earned by their employees each year.



Furthermore, most governments do not report information about the nature and size of their long-term financial obligations and commitments related to OPEB. Consequently, the public has incomplete information with which to assess the cost of public services and to analyze the financial position and long-run financial health of a government. Actuarial valuation will be required at least triennially if membership is less than 200.

***Recommendation***

The City should consider the effect these statements will have on its financial statements. These new statements will be effective for the City for the year ending June 30, 2008.

**GASB Statement No. 40**

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, which amends GASB Statement No. 3, was recently issued. Statement No. 40 addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, Statement No. 40 requires certain disclosures of investments with fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in this statement also should be disclosed.

Statement No. 40 eliminates disclosures for categories 1 and 2, deposits and investments, and requires custodial risk disclosure only for category 3, deposits and investments.

***Recommendation***

The City should consider the effect Statement No. 40 will have on the disclosures in the financial statements. The provisions of this new standard will be effective for the City for the year ending June 30, 2005.

**GASB Statement No. 42**

GASB Statement No. 42, *Accounting and Reporting for Impairment of Capital Assets and Insurance Recoveries*, establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. Statement No. 42 also clarifies and establishes accounting requirements for insurance recoveries.

Governments are required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage. A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset.



Impaired capital assets no longer used by the government should be reported at the lower of carrying value or fair value. Impairment losses on capital assets that will continue to be used by the government should be measured using the method that best reflects the diminished service utility of the capital asset. Various methods are discussed in the statement.

Impaired capital assets that are idle should be disclosed, regardless of whether the impairment is considered permanent or temporary. Statement No. 42 improves financial reporting because it requires governments to report the effects of capital asset impairments in their financial statements when they occur rather than as a part of the ongoing depreciation expense for the capital asset or upon disposal of the capital asset. Users of financial statements will better understand when impairments have occurred and what their financial impact is on the government. Statement No. 42 also enhances comparability of financial statements between governments by requiring all governments to account for insurance recoveries in the same manner.

***Recommendation***

The City should consider the effect Statement No. 42 will have on its financial statements. This new standard will be effective for the City for the year ending June 30, 2005.

\* \* \*

This letter is intended solely for the information and use of the City Council, City Manager, Finance Director, and others within the City and should not be used for any other purposes.

We appreciate the cooperation from your staff during our audit of the City's financial statements. We are proud to be associated with you and your organization and look forward to many more years of service to the City of Marshall.

Very truly yours,

**BDO SEIDMAN, LLP**

A handwritten signature in cursive script that reads 'BDO Seidman, LLP'.

Certified Public Accountants





**BDO Seidman, LLP**  
Accountants and Consultants

211 East Water Street, Suite 300  
Kalamazoo, Michigan 49007  
Telephone: (269) 382-0170  
Fax: (269) 345-1666

October 15, 2004

City Council  
City of Marshall  
323 West Michigan Avenue  
Marshall, Michigan 49068

Members of Council:

Professional standards require us to advise you of the following matters relating to our recently completed audit. The matters discussed herein are those that we have noted as of October 15, 2004, and we have not updated our procedures regarding these matters since that date to the current date.

#### **Our Responsibility Under Generally Accepted Auditing Standards**

As stated in our engagement letter dated May 26, 2004, our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatements, whether caused by error or fraud. An audit in accordance with generally accepted auditing standards does not provide absolute assurance or guarantee the accuracy of the financial statements and is subject to the inherent risk that errors or fraud, if they exist, have not been detected. Such standards also require that we obtain a sufficient understanding of the City's internal control to plan the audit. However, such understanding is required for the purpose of determining our audit procedures and to report on the internal control structure in accordance with *Governmental Accounting Standards* and not to provide any assurance concerning such internal control.

#### **Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in the notes to the financial statements. The City adopted no new accounting pronouncements for the year ended June 30, 2004. We noted no transactions entered into by the City during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.



### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. Our audit procedures included inquiries about, and a review of, significant management judgments and accounting estimates.

### **Significant Audit Adjustments**

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. The definition includes adjustments that were not recorded by the City because they are not material to the current financial statements but might be potentially material to future financial statements.

During our audit, we provided assistance with GASB 34 entries, and we made approximately 54 additional audit adjustments. The majority of these adjustments were made to capital assets, depreciation, transfers, accruals, and debt. We feel that without these adjustments the City's interim financial statements are not fairly stated and have communicated this to you in our management recommendation letter.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's financial statements or the audit report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultation With Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principal to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.



**Issues Discussed With Management Prior to Recurring Retention**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Difficulties Encountered in Performing the Audit**

We did not have any significant difficulties in performing the audit.

**Independence**

Generally accepted government auditing standards require BDO Seidman, LLP, to be independent both in fact and appearance. We are not aware of any relationships between BDO Seidman and the City that, in our professional judgment, may reasonably be thought to bear on our independence. We confirm that as of October 15, 2004, and throughout the 2004 audit, we were independent accountants with respect to the City in accordance with the requirements of the standards.

\* \* \* \* \*

Should you desire further information concerning these matters, Steve Harvey or Kristy Daniel will be happy to meet with you at your convenience.

This letter is solely for the internal use of the City Council and management of the City of Marshall and should not be distributed to any other persons or used for any other purpose.

Very truly yours,

BDO SEIDMAN, LLP

A handwritten signature in cursive script that reads 'BDO Seidman, LLP'.

Certified Public Accountants